Plaintiffs;

e. engaging in conduct that undermines or violates the spirit or intent of the consumer protection laws alleged in this Complaint; and

f. omitting to inform Plaintiffs that they could be rejected from the trial modification period at any point, and that this would result in the immediate demand for a balloon payment consisting of purported delinquency payments and substantial late fees, default fees, foreclosure fees, inspection fees, property preservation fees, trustee fees, trustee sale guarantee fees, mail fees, recording fees, and default servicing fees

311. Counts 14 through 22 arise under this (Fourth) Cause of Action for Deception in Loan Modifications, and are brought by all Plaintiffs named in this Cause of Action, against all Defendants named in this Cause of Action.

COUNT 14 : VIOLATION OF CAL. CODE CIV. PROC. § 580B AND §726 PROHIBITING COLLECTION OF DEBT AFTER ELECTING TO FORECLOSE

312. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

313. As described above, California law forbids deficiency judgments in non-judicial foreclosure of residential mortgages. *See* Cal. Code Civ. Proc. § 580b. Once a lender invokes its power to sell the underlying security for a mortgage (through providing its "Notice of Default and Election to Sell"), it cannot also seek to collect on the underlying note any amount owed in excess of the amount it recovers through the trustee's sale.

314. As alleged throughout this Cause of Action, Bank Defendants have entered into Workout Agreements with Plaintiffs after initiating foreclosures on their properties, under which it has intentionally extracted thousands of dollars of payments from each of the Plaintiffs named herein in explicit and *knowing* violation of Cal. Code Civ. Proc §580(b) and §726 prohibiting the collection of payments on the note after the election to foreclose.

315. Bank Defendants' acts comprise a scheme to circumvent the statutory bar against seeking a deficiency judgment. These acts were taken in furtherance of the conspiracy among all Defendants

alleged throughout this Complaint.

316. Such unlawfully extracted payments constitute damage to Plaintiffs herein. These payments must be returned to Plaintiffs, plus pre-judgment interest. Further, Bank Defendants should be enjoined from continuing to violate this rule in the future.

COUNT 15 : FRAUDULENT CONCEALMENT

317. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein

318. Plaintiffs and Bank Defendants were parties to the Loan Workout Agreements described above in this Cause of Action

319. By intentionally failing to disclose the material information described above in this Cause of Action, Aurora fraudulently induced Plaintiffs to enter into such Workout Agreements. To reiterate, *in part* here, Bank Defendants intentionally concealed the materials facts:

a. that the true purpose of such Loan Workout Agreements were to extract additional payments from Plaintiffs, and

b. that Plaintiffs would not be modified despite their exact compliance with the terms of the agreement

c. that such payments would not be applied to their loan balance,

320. Bank Defendants were under a duty to disclose this information to Plaintiffs

321. By intentionally failing to disclose such information Bank Defendants intended to induce Plaintiffs reliance to enter in the illusory Workout Agreements, and to induce their payments made thereunder

322. Plaintiffs under this Cause of Action did rely on Bank Defendants' failure to disclose such information in deciding to enter into the Workout Agreements and Extended Workout Agreements

323. If Plaintiffs had known the truth, they would not have entered into the Workout Agreements and Extended Workout Agreements

324. As a result, Plaintiffs were damaged in amount to be determined at trial. At minimum Plaintiffs must be returned all amounts paid by Plaintiffs under the Workout Agreements, as well as pre-judgment interest. Plaintiffs have also been damaged in the form of reduced credit scores, and the

unavailability of financing.

325. Plaintiffs are further entitled to an award of punitive damages for Defendants intentional fraudulent conduct.

COUNT 16 : INTENTIONAL MISREPRESENTATION

326. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein

327. Plaintiffs and Bank Defendants were parties to the Loan Workout Agreements discussed in this Cause of Action.

328. By intentionally misrepresenting the material information described above in this Cause of Action, Bank Defendants fraudulently induced Plaintiffs to enter into such Workout Agreements. To reiterate, *in part* here, Bank Defendants intentionally misrepresented the materials facts:

a. it wanted to help Plaintiffs maintain ownership of their homes. In particular, Bank Defendants sent the letters and made the statements described herein.

b. that by complying with the Workout Agreements, Plaintiffs loans would be permanently modified

c. that their homes would not be foreclosed as long as Plaintiffs continued to make payments under the Workout Agreements and Extended Workout Agreements. In particular, Plaintiffs were repeatedly told to continue to make payments and that their homes would not be foreclosed, as described herein.

d. whether they were approved for a loan modification and would have a genuine opportunity to cure their loan defaults prior to the execution of a Trustee's sale on their homes. Plaintiffs were never given such an opportunity

e. that upon the expiration of the Work out Agreements, Plaintiffs would have an opportunity to cure their defaults through: (1) reinstatement; (2) payoff; (3) HAMP sponsored Loan Modification; or (4) Investor Sponsored internal modification

f. that their foreclosures would continue to be on hold after the expiration of the Workout Agreements if Plaintiffs continued to make payments to Aurora.

329. At the time Bank Defendants made these representations to the Plaintiffs, Bank

Defendants knew they were not true. Bank Defendants intended to and did foreclose during the time period for which the Plaintiffs had already made payments under their Extended Workout Agreements.

330. Bank Defendants made these representations with the purpose of inducing Plaintiffs reliance to enter into the Workout Agreements, and Extended workout Agreements, and to continue to make payments of thousands of dollars per month.

331. Plaintiffs relied on these representations in entering the Workout Agreements, and extended Workout agreements, and in continuing to make payments thereunder.

332. Plaintiffs would not have entered into the Workout Agreements and Extended Workout Agreements had they known that these representations were not true. That is, had they known that they would not have a genuine opportunity to save their homes and to cure, and that Bank Defendants could and would foreclose on their properties without any notice that modifications were denied and after they had paid thousands of dollars to Bank Defendants, Plaintiffs would not have entered into the Workout Agreements to begin with and would not have made the payments during the terms of the Workout Agreements and the Extended Workout Agreements.

333. As a result, Plaintiffs were damaged in amount to be determined at trial. At minimum Plaintiffs must be returned all amounts paid by Plaintiffs under the Workout Agreements, as well as pre-judgment interest. Plaintiffs have also been damaged in the form of reduced credit scores, and the unavailability of financing.

334. Plaintiffs are further entitled to an award of punitive damages for Defendants intentional fraudulent conduct.

COUNT 17: NEGLIGENT MISREPRESENTATION

335. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein

336. The allegations of this Count are identical to those above in the previous Count except that the degree of intent herein is that of negligence. Put another way, at the time Bank Defendants made the misrepresentations described in this Cause of Action (and listed in part above), Bank Defendants did not have reasonable grounds to believe them to be true.

COUNT 18: RESCISSION OF CONTRACT AND/OR RESTITUTION ON THE GROUNDS OF FRAUD, AND/OR UNCONSCIONABILITY

337. All preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein

338. As described throughout this Cause of Action, consent to the Workout Agreements and Extended Workout Agreements was not real or free in that it was obtained solely through fraud and misrepresentations as herein alleged.

339. As described throughout this Cause of Action, the Workout Agreements were both procedurally and substantively unconscionable. Rescission is appropriate for this separate and independent reason.

340. Plaintiffs thus seek to rescind the agreements under California Civil Code § 1689 (b)(1). Plaintiffs have retained no consideration provided by Bank Defendants that can be tendered back to Bank Defendants prior to rescission.

COUNT 19: BREACH OF CONTRACT

341. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

342. Plaintiffs and Bank Defendants were parties to the Loan Workout Agreements discussed in this Cause of Action.

343. Plaintiffs furnished consideration under the Loan Workout Agreement in the form of thousands of dollars of payments

344. Bank Defendants breached their obligations to Plaintiffs under Contract as set forth above in this Cause of action, including but not limited to:

a. Breaching its obligations to modify plaintiffs upon their compliance with the terms of the Workout agreement

b. Breaching its obligation to not foreclose while Plaintiffs made payments under the Workout Agreement

c. Breaching its obligation to allow Plaintiffs an opportunity to cure under the Workout Agreement

345. Separately Bank Defendants has breached the duty of good faith and fair dealing implicit in all contracts, as alleged above.

346. As a result, Plaintiffs have been damaged in an amount to be proven at trial. At minimum Plaintiffs must be returned all amounts paid by Plaintiffs under the Workout Agreements, as well as pre-judgment interest.

347. Alternatively Plaintiffs request enforcement of the Workout Agreement. Specifically Plaintiffs request enforcement of the promise of Loan Modification pursuant to the terms and payments made thereunder, and any other legal or equitable remedies which this Court may deem just and proper.

COUNT 20: VIOLATION OF THE CRIER RULE (CAL. CIV. CODE §2994G)

348. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

349. California law provides that a Trustee's sale can be postponed by mutual agreement. *See* Cal. Civ. Code § 2994g. However, the new date and time of the postponed sale must be provided by the trustee (and can be "cried") at the time of the prior scheduled sale. *See* Cal. Civ. Code § 2994g (d).

350. Bank Defendants have violated this law by failing to provide the time of the new postponed sale at the time of the prior scheduled sale.

351. In doing so, Defendants have failed to comply with the fundamental notice requirements of California's non-judicial foreclosure statutes, with which "strict compliance" is required. *Ung v. Koehler* (2005) 37 Cal.App.4th 186, 202. Without proper notice, there is no power of sale, and accordingly the foreclosure sales at issue are void. .

COUNT 21: UNFAIR DEBT COLLECTION PRACTICES (VIOLATION OF CAL. CIV. CODE §1788 ET SEQ)

352. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

353. Bank Defendants, in their capacity as servicers, are "debt collector" engaging in "debt collection" practices under the Rosenthal Fair Debt Collection Practices Act (the "Rosenthal Act"). See

Cal. Civ. Code § 1788.2 (c).

354. Bank Defendants violated the Rosenthal Act by using false, deceptive, and misleading statements and deceptive omissions in connection with its collection of Plaintiffs' mortgage debt, as alleged herein. See Cal. Civ. Code § 1788.17, incorporating 15 U.S.C. § 1692(e). For example(and without limitation), Plaintiffs were consistently led to believe that modification review was pending under the Workout Agreements and that the requests for additional documents and receipt thereof would continue the review process and Workout Agreements. But Bank Defendants unilaterally ceased the review process and foreclosed on dates previously represented as being postponed.

355. The Rosenthal Act was also violated because the Workout Agreements were themselves deceptive in that they ambiguously appeared to offer an opportunity for borrowers to cure their arrearage and save their homes from foreclosure *and* stated that the arrearage would not be cured at the end of the Workout Agreement. The Rosenthal Act allows for a private right of action to the same extent permitted under the federal Fair Debt Collection Practices Act ("FDCPA"). *See* Cal. Civ. Code § 1788.17; *Gonzales v. Arrow Financial Services, LLC*, 233 F.R.D. 577, 581 (S.D. Cal. 2006).

356. Plaintiffs have suffered damages and harm as a result of Bank Defendants' unfair debt collection practices, including irreparable harm to their credit and the amounts paid under the Workout Agreements and Extended Workout Agreements.

COUNT 22: UNLAWFUL, UNFAIR & FRAUDULENT BUSINESS PRACTICES (VIOLATION OF CAL. BUS. & PROF. CODE §17200)

357. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

358. Bank Defendants' acts described in this action are **Unlawful** in that they violate:

a. The prohibition against collection of deficiency judgments after electing to foreclose (Cal. Code Civ. Proc. § 580b)

b. The Security First Rule (Cal. Code Civ. Proc. § 726)

c. The Crier rule (Cal. Civ. Code §2994(g)

d. The Rosenthal Fair Debt Collection Practices Act (Cal. Civ. Code §1788 et seq)

359. Separately, Bank Defendants' acts as described in this Cause of Action are **Fraudulent** as set forth above.

360. Bank Defendants' acts are also patently **Unfair** as more fully set forth above. Without limiting the allegations above which are fully incorporated herein, Defendants acts are unfair insofar as:

a. they unfairly bait Plaintiffs to make thousands of dollars of monthly payments under the false promise of having their loan modified, when in reality Defendants have no intent of modifying. These illusory work-out agreements were nothing more than unfair, and fraudulent cash-grabs

b. they used the promise of Loan Modification as bait to damage plaintiffs' credit preventing them from obtaining financing anywhere else.

a. they are designed a subterfuge to the crier rule, and are designed to allow Defendants to foreclose on Plaintiffs without their knowledge and without giving them notice.

361. The Bank Defendants' acts and practices violate established public policy and the harm they cause to consumers in California greatly outweighs any benefits associated with those practices.

362. Bank Defendants' conduct offends public policy and/or is immoral, unethical, oppressive, unscrupulous, or substantially injurious to consumers. Bank Defendants' conduct in this regard includes, but is not necessarily limited to, the following:

a. Bank Defendants have commonly failed to withdraw foreclosure proceedings against borrowers who made all Plan Payments under Workout Agreement;

b. Bank Defendants have initiated foreclosure proceedings without providing borrowers notice or opportunity to cure their remaining arrearage or default;

c. Bank Defendants have engaged in conduct that constitutes systematic breach of contract and breach of the implied covenant of good faith and fair dealing.

363. Bank Defendants' conduct as set forth herein resulted in loss of money or property to Plaintiffs, including (1) principal and interest that they were not obligated to pay after Bank Defendants elected to exercise non-judicial foreclosure and to which Bank Defendants had no ability to collect after foreclosure; and (2) legal and other fees that Plaintiffs paid to Bank Defendants under the Workout Agreements and Extended Workout Agreements.

364. Defendant's acts caused substantial consumer injury with no benefits to consumer competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants' intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened harm to competition

365. Plaintiffs' payments made under the Workout Agreements constitute cognizable restitution which must be returned to Plaintiffs as well as pre-judgment interest thereon.

366. The unfair, unlawful and fraudulent acts and practices of Defendants named herein present a continuing threat to Plaintiff and to members of the public in that these acts and practices are ongoing and are harmful and disruptive to business and financial markets. Accordingly, Plaintiffs request injunctive relief to preclude the actions/wrongs described above by Bank Defendants.

FIFTH CAUSE OF ACTION :
INTENTIONAL UNAUTHORIZED FORECLOSURES PURSUED IN THE NAME OF PROFIT

(By Plaintiffs Norberto Zenteno Flores, Margarita Flores, Sushila Patel, Maria del Carmen Torres, Ana Rosa, Gumersindo Castaneda, Adell Aldrich, Benjamin Avalos, Jr., Eugene Marzette, Ervetta Marzette, Elmer Clarke, Pearlie Clarke, Ferdinand Paragas-Whittier, Josephine Paragas-Whittier, Mihai Schera, Gilberto Pelayo, Helidoro Hernandez, Cristina Hernandez, Antonio Hernandez Jamie, Gloria Vargas Jamie, Ivan Iles, and Shewkali Rajkumar, John Ahlstead, Gina Ahlstead, Ivan Iles — Against All Defendants)

367. Continuing their chronology of profit-driven deception and intentional wrongdoing, Defendants not only (1) intentionally placed Plaintiffs into known dangerous and impossible loans in the name of profit on the secondary market, and, (2) offered Plaintiffs trial loan modifications in an attempt to grab as much cash as they could before foreclosing – none of which would be applied to the principal or interest of Plaintiff's loans - with no intent of ever actually modifying Plaintiffs' loans, but in a final coup-de-grace (3) intentionally foreclosed on plaintiffs despite having no ownership interest in the notes or deeds of trust, in the name of collecting preposterous and unmerited "foreclosure fees" including:

inspection fees, default fees, late fees, advance fees, attorney fees, and trustee fees – hand in hand with the Trustee Defendants, who while purporting to act merely in their capacity as trustee, act intentionally and maliciously to foreclose knowing they have no authority to do so, and in knowing violation of California foreclosure statutes. As discussed above, Trustee Defendants are the vital foreclosure arm of Defendants' fraudulent scheme alleged throughout this Complaint.

368. Bank Defendants along with Trustee Defendants unilaterally charged these ill-defined and ambiguous fees whose amounts were *never* disclosed, nor consented to Plaintiffs in any writing or contract whatsoever. They decided how much they wanted to charge for whatever reason they wanted to charge it. The amounts they charged were tantamount to price gauging, often charging double, triple or even quadruple the fair market value for these "services." The outrageous price markups all inured to the benefit of the conspiracy of Defendants. As Defendants did not have an ownership interest in the property upon which to foreclose, these charges and fees were entirely unjustified, and constitute numerous cognizable sources of restitution.

369. In short, Bank Defendants together with Trustee Defendants made money by initiating foreclosures, and for this very reason intentionally steamrolled wrongful foreclosures over plaintiffs without having any true possessory or ownership interest in the deed of trust – the document which confers the power of foreclosure - threatening to wrongfully dispossess Plaintiffs of their homes and placing them on the streets.

370. In the greed-driven world of Defendants, neither law nor ethics would be allowed to stand as an obstacle in their insatiable hunt for profit.

371. Counts 23 through 24 arise under this (Fifth) Cause of Action for "Intentional Unauthorized Foreclosure in the Pursuit of Profit" and are brought by all Plaintiffs named in this Cause of Action, against all Defendants named in this Cause of Action.

COUNT 23: WRONGFUL FORECLOSURE

372. Bank Defendants' continue to demand payment and to foreclose and threaten to foreclose on Plaintiffs (through co-conspirator Trustee Defendants), despite the facts that:

a. The Foreclosing Defendants have no proof that they own the notes and deeds of trust they

seek to enforce;

b. The Foreclosing Defendants have never received a proper assignment of the Deed of Trust (**"DOT"**) - the document which confers the power of foreclosure. Accordingly, they have no authority to foreclose.

c. There is considerable evidence that the Foreclosing Defendants do not own the notes and deeds of trust they enforce and seek to enforce and based thereon, Plaintiffs allege that they do not; and

373. As alleged with further detail in Appendix A, in many instances, the foreclosing Bank Defendants never properly received an assignment of the DOT (and therefore had no authority to foreclose) because the trusts they were being assigned into had been closed long prior, and therefore could not legally accept assignment of the Loans and DOTs.

a. The reason loans are pooled and placed into these loan trusts named REMIC's is due to income tax purposes. A REMIC is an "SPV" or Special Purpose Vehicle that is treated by the IRS as a "QSPE" or Qualifying Special Purpose Entity. It specifically was designed by Congress to allow the vehicle to not be taxed as the cash flows through the vehicle and distributed to the investor and certificate holders. It is like an S Corp where there is no double taxation.

b. Pooling and Servicing Agreements only allow loans to be placed into a REMIC for **two years** after the set-up of the Trust due to tax implications. A loan substituted in or out of such trust after the two year period, results in a massive tax penalty of 100% of the face value of *all the assets in the trust.*

374. The trusts which foreclosed on many of the Plaintiffs never received assignment of the DOT – the document which confers the power of foreclosure. Specifically, Bank Defendants foreclosed on numerous Plaintiffs herein on behalf of trusts which had no ownership interest whatsoever in the DOT, **because the trusts had been-long closed under the terms of their very own PSA.** In other words Defendants had no authority whatsoever to foreclose on Plaintiffs herein. The foreclosing trust had no ownership interest in the DOT which would give it the power to foreclose.

375. Established authority makes clear that a Plaintiff states a claim for wrongful foreclosure

when it is alleged that the assignment to the trust was executed after the closing date of the trust. *Vogan v. Wells Fargo Bank, N.A.* (E.D. Cal., Nov. 17, 2011,) 2011 WL 5826016 at *7; *Johnson v. HSBC Bank USA, Nat. Ass'n* (S.D. Cal., Mar. 19, 2012) 2012 WL 928433at *3.

376. As to other Plaintiffs, Bank Defendants and Trustee Defendants foreclosed on them despite having no ownership interest in the DOT, because the DOT was **never endorsed to them**. In other words, they never had the authority to foreclose. A Plaintiff states a viable claim for wrongful foreclosure when it is alleged that the Defendants are "not the proper parties to foreclose." *Ohlendorf v. Am. Home Mortg.*, (E.D.Cal. 2010) 2010 U.S. Dist. LEXIS 31098, at *21–24; *Tamburri v. Suntrust Mortgage (N.D. Cal, 2011) 2011 WL 6294472* *11' [same] *Sacchi v. Mortgage Electronic Registration Systems, Inc. (**C.D**.Cal. June 24, 2011) 2011 WL 253302* at *8; *Castillo v. Skoba* (S.D.Cal. 2010) 2010 WL 3986953, at*2 [same].

377. As to other Plaintiffs herein, Bank Defendants and Trustee Defendants had no authority to foreclose because *at the time* they initiated foreclosure (by filing a Notice of Default), they had not yet received an assignment of the DOT. In other words, at the time they initiated foreclosure, they had no authority to foreclose. ""[S]ince the plaintiffs had alleged facts **suggesting the foreclosing party had no legal interest in the deed <u>at the appropriate time</u>**, there [is] a valid cause of action." *Tamburri v. Suntrust Mortgage (N.D. Cal, 2011) 2011 WL 6294472* *11, citing *Sacchi v. Mortgage Electronic Registration Systems, Inc. (**C.D**.Cal. June 24, 2011) 2011 WL 253302* at *8 [[holding plaintiff had stated a valid cause of action for wrongful foreclosure where the foreclosing entity had no authority to foreclose because it had "**no beneficial interest in the Deed of Trust <u>when</u> it acted to foreclose** on Plaintiffs' home."]; *Castillo v. Skoba* (S.D.Cal. 2010) 2010 WL 3986953, at*2 [same]. Foreclosures initiated by or on behalf of a party, who at the time had no authority to foreclose are ***void ab initio***. *Tamburri; Castillo.*

378. As to other Plaintiffs still, Bank Defendants and Trustee Defendants had no authority to foreclose because they had failed to comply with Cal. Civ. Code §2923.5 – a necessary prerequisite to foreclosure – which requires a lender to contact its borrower to disclose alternatives to foreclosure. Foreclosing Bank Defendants have failed to, and continue to fail to comply with this legal requirement.

379. Still, as to other Plaintiffs, Bank Defendants' and Trustee Defendants' foreclosures were

void because the trustee who conducted the foreclosure sale was an unauthorized trustee who had never been properly substituted as trustee. Under California Law, a foreclosure sale conducted by an unauthorized trustee is void as a matter of law. *Dimock v. Emerald Properties* (2000) 198 Cal.App.4th 868.

380. Finally, such foreclosures were additionally wrongful insofar as they were intentionally occasioned by the Frauds of Defendants who (1) concealed the true terms, payments, and nature of the loans in order to induce borrowers into entering them, knowing that such loans would be impossible for them to afford, and would result in their default to a *mathematical certainty*, and (2) falsely tampered with the appraised values of their homes – so that Bank Defendants, Trustee Defendants, and their conspirators could collect lucrative fees, including **foreclosure fees**. Causing the foreclosure of their borrowers was an intentional part of their fraudulent scheme. It meant more money.

381. Whether or not they can demonstrate ownership of the requisite notes and deeds of trust, Defendants lack the legal right to enforce the foregoing because they have not complied with disclosure requirements intended to assure mortgages are funded with monies obtained lawfully.

382. Plaintiffs allege that Bank Defendants have made demand for payment on the Plaintiffs with respect to Plaintiffs' properties at a time when Defendants are incapable of establishing (and do not have any credible knowledge regarding) who owns the promissory notes Defendants are purportedly servicing. Plaintiffs believe and thereon allege that because Defendants are not the holders of Plaintiffs' notes and deeds of trust and are not operating under a valid power from the various current holders of the notes and deeds of trust, Defendants may not enforce the notes or deeds of trust.

383. Bank Defendants have already foreclosed upon the following property owned by the following Plaintiffs – allegations establishing the specific factual basis of the wrongful nature of the foreclosure as against each of the Plaintiffs below are set forth in **APPENDIX A**.

a) Norberto Zenteno-Flores and Margarita Flores (Appendix A, ¶ 1)
3321 Taurus Lane, Unit #3
Santa Ana, CA 92704

b) Sushila Patel (Appendix A, ¶ 5)
5841 Ranch View Road
Oceanside, CA 92057

c) Maria del Carmen Torres (Appendix A, ¶ 8)
8332 Brimfield Avenue
Panorama City, CA 91402

d) Ana Rosa and Gumersindo Castaneda (Appendix A, ¶ 9)
22616 S. Menlo Avenue
Torrance, CA 90502

e) Adell Aldrich (Appendix A, ¶ 10)
222238 Flanco Road
Woodland Hills, CA 91762

f) Benjamin Avalos, Jr. (Appendix A, ¶ 12)
108 Cormorant Drive
Ontario, CA 91762

g) Eugene and Ervetta Marzette (Appendix A, ¶ 15)
5707 Sycamore Avenue
Rialto, CA 92377

h) Elmer and Pearlie Clarke (Appendix A, ¶ 16)
3569 Mulford Avenue
Lynwood, CA 90262

i) Ferdinand and Josephine Paragas-Whittier (Appendix A, ¶ 17)
10621 Victoria Avenue
Whittier, CA 90604

j) Mihai Schera (Appendix A, ¶ 22)
35565 Grandview Drive
Yucaipa, CA 92399

k) Gilberto Pelayo (Appendix A, ¶ 30)
31501 Stoney Creek Drive
Lake Elsinore, CA 92532

l) Helidoro and Cristina Hernandez (Appendix A, ¶ 34)
8296 Velvet Lane
Fontana, CA 92335

m) Antonio Hernandez Jamie and Gloria Vargas Jamie (Appendix A, ¶ 35)
630 West 149 Street
Gardena, CA 90247

n) Ivan Iles (Appendix A, ¶ 42)

1758 Duncan Way
Corona, CA 92881

o) Shewkali Rajkumar (Appendix A, ¶ 43)
1420 Stoddard Street
Sacramento, CA 95828

p) John Ahlstead and Gina Ahlstead (Appendix A, ¶44)
9529 Brook Drive
Rancho Cucamonga CA 91730

q) Ivan Iles (Appendix A, ¶42)
17548 Duncan Way
Corona CA 92881

384. Because the foreclosing Bank Defendants are not the holders of the notes and deeds of trust and are not operating under a valid power from the current holders of the notes and deeds of trust, Defendants did not have the right to proceed with the foregoing foreclosures.

385. Bank Defendants, and Trustee Defendants, acted outrageously, persistently, intentionally and with actual malice in performing the acts alleged in this cause of action. Accordingly, Plaintiff is entitled to exemplary and punitive damages in a sum according to proof and to such other relief as is set forth below in the section captioned Prayer for Relief which is by this reference incorporated herein.

386. As a result of the foregoing unlawful acts Plaintiffs have been damaged in being wrongfully deprived of their homes, losing equity, being forced to incur relocation expenses, suffering emotional distress, being forced to pay foreclosure fees, attorney's fees, trustee fees, suffering damage to their credit scores, experiencing reduced availability of financing, among the other damages described throughout this Complaint.

COUNT 24: UNFAIR, UNLAWFUL, AND FRAUDULENT BUSINESS PRACTICES (VIOLATION OF CAL. BUS. & PROF. CODE §17200)

387. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

388. Bank Defendants' and Trustee Defendants' acts described in this action are **Unlawful** in that they violate:

a. The requirement to make contact with a defaulting borrower prior to foreclosure in order to explore alternatives to foreclosure (Cal. Civ. Code §2923.5)

b. The requirement that the party on behalf of whom foreclosure is being instituted must first have an ownership interest in the Deed of Trust before acting to foreclose. (Cal. Civ. Code §2924 et seq.)

c. The Requirement that a trustee must first be authorized as a trustee before it can conduct a trustee/foreclosure sale (Cal. Civ. Code §2924 et seq.)

d. The Requirement that a party must first record an NOD before they have the power to foreclose (Cal. Civ. Code §2924 et seq).

e. The Crier Rule (Cal. Civ. Code §2994(g)

f. The Rosenthal Fair Debt Collection Practices Act (Cal. Civ. Code §1788 et seq)

389. Separately, Bank Defendants' acts as described in this Cause of Action are **Fraudulent** as set forth above.

390. Such foreclosures were **additionally** wrongful insofar as they were intentionally occasioned by the Frauds of Defendants who concealed the true terms, payments, and nature of the loans in order to induce borrowers into entering them, knowing that such loans would be impossible for them to afford, and would result in their default to a *mathematical certainty* – so that Plaintiffs and their conspirators and could collect lucrative fees, including **foreclosure fees**. Causing the foreclosure of their borrowers was an intentional part of their fraudulent scheme. It meant more money.

391. Bank Defendants' and Trustee Defendants' acts in intentionally foreclosing upon their borrowers in the name of profit, and/or without authority, as described above are also unfair.

392. Such acts and practices violate established public policy and the harm they cause to consumers in California greatly outweighs any benefits associated with those practices.

393. These actions were immoral, unethical, oppressive, unscrupulous and substantially injurious to similarly situated borrowers, and Plaintiffs herein. Bank Defendants' and Trustee Defendants' conduct had no utility other than for their own ill-gotten gain, and the harm was great not only to Plaintiffs herein, but also to residents of California, broadly, who have seen a decrease in their home and property values as a result of the bursting of the super-heated pricing bubble created by

Defendants' intentional wrongful foreclosure which now devastate real estate values.

394. At the time of their fraud, Defendants *knew* that their conduct would cause the precipitous decline in property values throughout the State of California.

395. Defendant's acts caused substantial consumer injury with no benefits to consumer competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants' intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened harm to competition.

396. Defendant's acts caused substantial consumer injury with no benefits to consumer competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants' intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened harm to competition.

397. Ally and Bank Defendants acted with malice and with the intent of artificially inflating California Real estate properties generally, as well as the values of Plaintiffs' individual properties and homes.

398. As a result of Defendants' unfair competition, Plaintiffs are entitled to restitution for all sums received by Defendants with respect to Defendants' unlawful and/or unfair and/or fraudulent conduct, including, without limitation, interest payments made by Plaintiffs, fees paid to Defendants, including, without limitation, trustee fees, and the excessive fees paid at Defendants' direction, and premiums received upon selling the mortgages at an inflated value.

399. As a result of the foregoing unfair, unlawful, and fraudulent acts Plaintiffs have been damaged in being wrongfully deprived of their homes, losing equity, being forced to incur relocation expenses, suffering emotional distress, being forced to pay foreclosure fees, attorney's fees, trustee fees, suffering damage to their credit scores, experiencing reduced availability of financing, among the other damages described throughout this Complaint.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for judgment against Defendants and each of them as follows:

1. General, Actual, Compensatory, Special and Exemplary damages according to proof

under the First, Second, Third, Fourth, Sixth, Seventh, Eighth, Tenth, Eleventh, Twelfth, Fourteenth, Fifteenth, Sixteenth, Seventeenth, Eighteenth, Nineteenth, Twenty-First, and Twenty-Third Counts, and any other Counts for which such relief may be available;

2. Punitive Damages under the First, Second, Sixth, Tenth, Fifteenth, and Sixteenth Counts and any other Counts for which such relief may be available;

3. Statutory relief according to proof under the Twelfth, Fourteenth, Twentieth, and Twenty-First Counts and any other Counts for which such relief may be available;

4. Restitution and Injunctive Relief under the Ninth, Thirteenth, Eighteenth, Twenty-Second and Twenty Fourth Counts and any other Counts for which such relief may be available;

5. Rescission under the Eighteenth Count;

6. On all Counts, for costs of suit herein;

7. On all Counts, for pre- and post-judgment interest;

8. On all Counts for which attorney's fees may be awarded pursuant to the governing contract, by statute or otherwise, reasonable attorneys' fees; and

9. On all Counts, for such other and further relief as this Court may deem just and proper.

Dated: August 9, 2013

Respectfully submitted,

BROOKSTONE LAW, PC

By: _____
Vito Torchia, Jr.
Attorneys for Plaintiffs

PLAINTIFF: EO MACARTHUR, LLC DEFENDANT: BROOKSTONE LAW, P.C.	CASE NUMBER: 30-2013-00660219-CL-UD-HNB

7. ☑ Plaintiff and defendant further stipulate as follows *(specify):*

Plaintiff agrees to hold this Stipulation and not file it with the Court, so long as Defendant surrenders possession of the premises referred to in paragraph 2, on or before the close of business, September 8, 2013. If Defendant surrenders possession of the premises referred to in paragraph 2 on or before September 8, 2013, Plaintiff agrees to dismiss this matter without prejudice.

8. a. **The parties named in item 1 understand that they have the right to (1) have an attorney present and (2) receive notice of and have a court hearing about any default in the terms of this stipulation.**

b. Date:

Daniel P. Stimpert, Esq., Attorney for Plaintiff
(TYPE OR PRINT NAME)

(SIGNATURE OF PLAINTIFF OR ATTORNEY)

(TYPE OR PRINT NAME)

(SIGNATURE OF PLAINTIFF OR ATTORNEY)

☐ Continued on *Attachment* 8b (form MC-025).

c. Date: 8/6/2013

Vito Torchia, Jr., Attorney for Defendant
(TYPE OR PRINT NAME)

(SIGNATURE OF DEFENDANT OR ATTORNEY)

(TYPE OR PRINT NAME)

(SIGNATURE OF DEFENDANT OR ATTORNEY)

(TYPE OR PRINT NAME)

(SIGNATURE OF DEFENDANT OR ATTORNEY)

☐ Continued on *Attachment* 8c (form MC-025).

9. IT IS SO ORDERED.

Date:

JUDICIAL OFFICER

UD–115

ATTORNEY OR PARTY WITHOUT ATTORNEY *(Name and state bar number, and address):*	*FOR COURT USE ONLY*
Daniel P. Stimpert, Esq. SBN: 147420 STIMPERT & FORD, LLP 6300 Wilshire Blvd., Suite 1890, Los Angeles, CA 90048-5220 TELEPHONE NO.: (323) 782-6782 FAX NO. *(Optional)*: (323) 782-6788 E-MAIL ADDRESS *(Optional)*: info@stimpertford.com ATTORNEY FOR *(Name)*: EO MacArthur, LLC	
SUPERIOR COURT OF CALIFORNIA, COUNTY OF ORANGE STREET ADDRESS: 4601 Jamboree Road MAILING ADDRESS: 4601 Jamboree Road CITY AND ZIP CODE: Newport Beach, 92660-2595 BRANCH NAME: Harbor Justice Center - Newport Beach Facility	
PLAINTIFF: EO MACARTHUR, LLC DEFENDANT: BROOKSTONE LAW, P.C.	
STIPULATION FOR ENTRY OF JUDGMENT (Unlawful Detainer)	CASE NUMBER: 30-2013-00660219-CL-UD-HNB

1. IT IS STIPULATED by plaintiff *(name each)*: EO MACARTHUR, LLC and defendant *(name each)*: BROOKSTONE LAW, P.C.

2. [X] Plaintiff [ ] Defendant *(specify name)*: is awarded
   a. [X] possession of the premises located at *(street address, apartment number, city, and county)*: 4000 MacArthur Blvd, Suite 1110, Newport Beach, CA 92660 Orange County
   b. [ ] cancellation of the rental agreement. [ ] forfeiture of the lease.
   c. [ ] past due rent $
   d. [ ] total holdover damages $
   e. [ ] attorney fees $
   f. [ ] costs $
   g. [ ] deposit of $ [ ] See item 3.
   h. [X] other *(specify)*: $10,000.00 as and for general damages.
   i. Total $ to be paid by [ ] *(date)*: [ ] installment payments (see item 5)

3. [ ] Deposit. If not awarded under item 2g, then plaintiff must
   a. [ ] return deposit of $ to defendant by *(date)*:
   b. [ ] give an itemized deposit statement to defendant within three weeks after defendant vacates the premises (Civ. Code, § 1950.5).
   c. [ ] mail the [ ] deposit [ ] itemized statement to the defendant at *(mailing address)*:

4. [X] A writ of possession will issue immediately, but there will be no lockout before *(date)*: September 9, 2013

5. [ ] AGREEMENT FOR INSTALLMENT PAYMENTS
   a. Defendant agrees to pay $ on the *(specify day)* day of each month beginning on *(specify date)* until paid in full.
   b. If any payment is more than *(specify)* days late, the entire amount in item 2i will become immediately due and payable plus interest at the legal rate.

6. a. [X] Judgment will be entered now.
   b. [ ] Judgment will be entered only upon default of payment of the amount in item 2i or the payment arrangement in item 5a. The case is calendared for dismissal on *(date and time)* in department *(specify)* unless plaintiff or defendant otherwise notifies the court.
   c. [ ] Judgment will be entered as stated in *Judgment —Unlawful Detainer Attachment* (form UD-110S), which is attached.
   d. [ ] Judgment will be entered as stated in item 7.

Form Approved for Optional Use
Judicial Council of California
UD-115 [New January 1, 2003]

STIPULATION FOR ENTRY OF JUDGMENT (Unlawful Detainer)

Code of Civil Procedure, § 664.6
Westlaw Doc & Form Builder

PLAINTIFF: EO MACARTHUR, LLC DEFENDANT: BROOKSTONE LAW, P.C.	CASE NUMBER: 30-2013-00660219-CL-UD-HNB

7. [X] Plaintiff and defendant further stipulate as follows *(specify)*: Plaintiff agrees to hold this Stipulation and not file it with the Court, so long as Defendant surrenders possession of the premises referred to in paragraph 2, on or before the close of business, September 8, 2013. If Defendant surrenders possession of the premises referred to in paragraph 2 on or before September 8, 2013, Plaintiff agrees to dismiss this matter without prejudice.

8. a. **The parties named in item 1 understand that they have the right to (1) have an attorney present and (2) receive notice of and have a court hearing about any default in the terms of this stipulation.**

b. Date:

Daniel P. Stimpert, Esq. (TYPE OR PRINT NAME) ▶ _____ (SIGNATURE OF PLAINTIFF OR ATTORNEY)

_____ (TYPE OR PRINT NAME) ▶ _____ (SIGNATURE OF PLAINTIFF OR ATTORNEY)

[ ] Continued on *Attachment* 8b (form MC-025).

c. Date:

Attorney for BROOKSTONE LAW, PC
Vito Torchia, Jr. (TYPE OR PRINT NAME) ▶ _____ (SIGNATURE OF DEFENDANT OR ATTORNEY)

_____ (TYPE OR PRINT NAME) ▶ _____ (SIGNATURE OF DEFENDANT OR ATTORNEY)

_____ (TYPE OR PRINT NAME) ▶ _____ (SIGNATURE OF DEFENDANT OR ATTORNEY)

[ ] Continued on *Attachment* 8c (form MC-025).

9. IT IS SO ORDERED.

Date:

_____
JUDICIAL OFFICER

UD–115

ATTORNEY OR PARTY WITHOUT ATTORNEY *(Name and state bar number, and address)*:	*FOR COURT USE ONLY*
Daniel P. Stimpert, Esq. SBN: 147420 STIMPERT & FORD, LLP 6300 Wilshire Blvd., Suite 1890, Los Angeles, CA 90048-5220 TELEPHONE NO.: (323) 782-6782 FAX NO. *(Optional)*: (323) 782-6788 E-MAIL ADDRESS *(Optional)*: info@stimpertford.com ATTORNEY FOR *(Name)*: EO MacArthur, LLC	
SUPERIOR COURT OF CALIFORNIA, COUNTY OF ORANGE STREET ADDRESS: 4601 Jamboree Road MAILING ADDRESS: 4601 Jamboree Road CITY AND ZIP CODE: Newport Beach, 92660-2595 BRANCH NAME: Harbor Justice Center- Newport Beach Facility	
PLAINTIFF: EO MACARTHUR, LLC DEFENDANT: BROOKSTONE LAW, P.C.	
STIPULATION FOR ENTRY OF JUDGMENT (Unlawful Detainer)	CASE NUMBER: 30-2013-00660219-CL-UD-HNB

1. IT IS STIPULATED by plaintiff *(name each)*: EO MACARTHUR, LLC and defendant *(name each)*: BROOKSTONE LAW, P.C.

2. ☑ Plaintiff ☐ Defendant *(specify name)*: is awarded
   a. ☑ possession of the premises located at *(street address, apartment number, city, and county)*: 4000 MacArthur Blvd., Suite 1110, Newport Beach, CA 92660 Orange County
   b. ☐ cancellation of the rental agreement. ☐ forfeiture of the lease.
   c. ☐ past due rent $
   d. ☐ total holdover damages $
   e. ☐ attorney fees $
   f. ☐ costs $
   g. ☐ deposit of $ ☐ See item 3.
   h. ☑ other *(specify)*: $10,000.00 as and for general damages.
   i. Total $ to be paid by ☐ *(date)*: ☐ installment payments (see item 5)

3. ☐ Deposit. If not awarded under item 2g, then plaintiff must
   a. ☐ return deposit of $ to defendant by *(date)*:
   b. ☐ give an itemized deposit statement to defendant within three weeks after defendant vacates the premises (Civ. Code, § 1950.5).
   c. ☐ mail the ☐ deposit ☐ itemized statement to the defendant at *(mailing address)*:

4. ☑ A writ of possession will issue immediately, but there will be no lockout before *(date)*: September 9, 2013

5. ☐ AGREEMENT FOR INSTALLMENT PAYMENTS
   a. Defendant agrees to pay $ on the *(specify day)* day of each month beginning on *(specify date)* until paid in full.
   b. If any payment is more than *(specify)* days late, the entire amount in item 2i will become immediately due and payable plus interest at the legal rate.

6. a. ☐ Judgment will be entered now.
   b. ☐ Judgment will be entered only upon default of payment of the amount in item 2i or the payment arrangement in item 5a. The case is calendared for dismissal on *(date and time)* in department *(specify)* unless plaintiff or defendant otherwise notifies the court.
   c. ☐ Judgment will be entered as stated in *Judgment —Unlawful Detainer Attachment* (form UD-110S), which is attached.
   d. ☑ Judgment will be entered as stated in item 7.

Form Approved for Optional Use
Judicial Council of California
UD-115 [New January 1, 2003]

APPENDIX A TO AMENDED COMPLAINT IN SUPPORT OF AMENDED PROOF OF CLAIM

1. Plaintiff Carolyn Hairston ("Hairston") discussed refinancing an existing mortgage on her property located at 1544-46 Hauser Boulevard, Los Angeles, CA 90019 and A.P.N. 5069-031-030 with a loan consultant (the "Loan Consultant"), a representative and authorized agent of Paul Financial, LLC, a correspondent of GMAC Mortgage Group, Inc. and authorized by GMAC Mortgage Group, Inc. and Defendants herein (the "Defendants") to lend on its behalf, in or around January, 2007. In the course of their discussions ranging from January 2007 until March 2007, Defendants and Loan Consultant steered her into a negatively amortized PayOption ARM in the amount of $550,000.00 with an interest rate at 7.875% for a term of 30 years. Little did Hairston know, however, the disclosed interest rate was never "fixed" but applied to only her first monthly payment and could adjust every six months thereafter. The maximum interest rate is 12.875%. The amount of Hairston's minimum monthly payment was "fixed" for 12 months and could adjust every 12 months thereafter. When the amount of the minimum monthly payment is insufficient to cover the amount of interest due, then the amount of that deficiency is added onto the unpaid principal balance of her loan. The recast point of this loan is 115% of the original loan amount. This loan was originated by GMAC and Defendants, on the note and deed of trust Paul Financial, LLC is identified as the lender, and GMAC is currently servicing the loan.

Defendants and Loan Consultant represented to Hairston that her monthly payment would always be $114.58. Although the amount of Hairston's initial, disclosed minimum monthly payment was $114.58, Defendants and Loan Consultant failed to clarify their partially true representations and advise Hairston: (1) how the interest rate on her loan was calculated; (2) that the initial, disclosed minimum monthly payment of $114.58 would not always be available; (3) that the initial, disclosed minimum monthly payment would not be the permanent payment under the loan despite Defendants' and Loan Consultant's affirmative representations to the contrary; (4) that by paying the initial, disclosed minimum monthly payment she would be definitively deferring interest on her loan, increasing the principal balance of her loan every time she made the minimum monthly payment; (5) that by paying the minimum monthly payment the principal balance of her loan was certain to increase; or (6) her loan would be recast within a few

years and she would be forced to pay considerably higher payments.

The disclosures in Hairston's loan documents discussing negative amortization only frame negative amortization as a mere **possibility** rather than a **certainty** when making the minimum payment. However, the reality was that by making the minimum payment, negative amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative amortization. Hairston was not provided, before entering into the loans, with any other payment schedule or with any informed option to make payments different than those listed in the TILDS payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS Hairston would be deferring interest, or had Defendants disclosed the payment amounts sufficient to avoid negative amortization from occurring, Hairston would not have entered into the loan. **Defendants intentionally omitted a clear disclosure of the nature of Hairston's loan because giving a clear explanation of how the loan worked would have punctured the illusion of a low-payment, low interest rate loan.**

Further, Defendants and Loan Consultant advised her that she was eligible for a Low Doc Loan. Unbeknownst to her at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate her income by $7,000, a factor of 250%; and in doing so, Defendants and Loan Consultant caused her to be placed into a loan whose payments she could not afford given her true, un-inflated monthly income. Defendants and Loan Consultant altered Hairston's loan application without her knowing consent and authorization as Loan Consultant completed Hairston's application without giving Hairston an opportunity to review the loan application.

Defendants and Loan Consultant also explicitly represented to Hairston that she could afford her loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $6,804.14. Given Hairston's true monthly income of $4,500.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio,

before any other debts are even considered, of over 151%- grossly in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant further represented to Hairston that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Hairston's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Hairston reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Hairston should be shouldering was, Hairston reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments. Although Defendants and the Loan Consultant represented to Hairston that she was "qualified" for her loan and could afford her loan and its monthly payments, Defendants and the Loan Consultant misled Hairston into believing that her monthly payments would always only be $114.58. Furthermore, at no point did Defendants or Loan Consultant clarify Hairston's false belief and advise her that $114.58 would not be her permanent payment under the loan, or that every time she made a monthly payment in the amount of $114.58, which is less than interest only, she would be deferring interest on her loan, increasing the principal balance of her loan.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around February 2007, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Hairston's home, which was fraudulently inflated to a grossly and intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Hairston's home was worth $1,200,000.00 at the time she entered into her loan, and that such a valuation was a true and correct measure of her home's worth. The current fair market value of Hairston's home is approximately $511,922.00. Hairston alleges that the appraisal was artificially inflated, and that she has suffered damages in the amount of $688,078.00 ($1,200,000.00-$511,922.00) due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Hairston that she would be able to

refinance her loan at a later time. Hairston relied on this assurance in deciding to enter into the mortgage contract. However, Hairston has not been able to refinance her loan. Defendants and Loan Consultant also represented that it would modify Hairston's loan, and Hairston relied on this representation in deciding to enter into the loan. However, Hairston was unable to modify her loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Hairston could afford the loan ; (4) She was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) she would be able to modify her loan and (7) She would be able to refinance her loan.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Hairston that: (1) Defendants and Loan Consultant knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not hers; (4) that Defendants' and Loan Consultant's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Hairston's home to require her to borrow more money with the knowledge that the true value of Hairston's home was insufficient to justify the amount of Hairston's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Hairston would lose substantial equity in her home.

Based on these misrepresentations and omissions, the material facts concerning Hairston's loan were concealed from her, and she decided to move forward with her loan. On

March 30, 2007, Hairston signed the loan and Deed of Trust, before a notary. Had she known the truth however, Hairston would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint, Hairston has lost substantial equity in her home, has damaged or destroyed credit, and at the time Hairston entered into the loan her home was worth $1,200,000.00, now her home is worth approximately $511.922.00. Hairston did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around July 19, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 1***).

2. Plaintiff Carolyn Hairston ("Hairston") discussed refinancing an existing mortgage on her property located at 1534-36 Hauser Blvd, Los Angeles, CA 90019 and A.P.N. 5069-031-032 with a Loan Consultant ("Loan Consultant") with Paul Financial, LLC, a correspondence of GMAC Financial and Defendants herein ("the Defendants"), and authorized by Defendants to lend on its behalf, in or around January 2007. In the course of their discussions ranging from January 2007 until March 2007, Defendants and Loan Consultant steered her into a negatively amortized PayOption ARM in the amount of $500,000.00 with an interest rate at 0.250% for a term of 30 years. Little did Hairston know that the interest rate of 0.250% is the amount used to calculate the amount of her minimum monthly payment. Hairston also did not know that she was accruing interest on her loan at the interest rate of 8.375%. Hairston's true interest rate of 8.375% is "fixed" for ten years and can adjust every six months thereafter. The maximum interest rate is 13.375%. The amount of Hairston's minimum monthly payment is also "fixed" for ten years. When the amount of the minimum monthly payment is insufficient to cover the amount of interest due, then the amount of that deficiency is added onto the unpaid principal balance of her loan. Her loan has a recast point of 155% of the original amount. Once her loan hits the recast point, Hairston will be obligated to make interest only payment for the remainder of the ten year "fixed" period. This loan was originated by GMAC and Defendants, on the note and deed of trust Paul Financial, LLC is identified as the lender, and GMAC is currently

servicing the loan.

Defendants and Loan Consultant recommended the loan, representing that this was a worthy loan. Defendants and Loan Consultant represented to Hairston that her monthly payment would always be $104.00 Although the amount of Hairston's initial, minimum monthly payment was $104.00, Defendants and Loan Consultant failed to clarify their partially true representations and advise Hairston: (1) how the interest rate on her loan was calculated; (2) that the initial minimum monthly payment of $104.00 would not always be available; (3) that the initial minimum monthly payment would not be the permanent payment under the loan despite Defendants' and Loan Consultant's affirmative representations to the contrary; (4) that by paying the initial minimum monthly payment she would be definitively deferring interest on her loan, increasing the principal balance of her loan every time she made the minimum monthly payment; (5) that by paying the minimum monthly payment the principal balance of her loan was certain to increase; or (6) her loan would be recast within a few years and she would be forced to pay considerably higher payments.

The disclosures in Hairston's loan documents discussing negative amortization only frame negative amortization as a mere **possibility** rather than a **certainty** when making the minimum payment. However, the reality was that by making the minimum payment, negative amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative amortization. Hairston was not provided, before entering into the loans, with any other payment schedule or with any informed option to make payments different than those listed in the TILDS payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS Hairston would be deferring interest, or had Defendants disclosed the payment amounts sufficient to avoid negative amortization from occurring, Hairston would not have entered into the loan. **Defendants intentionally omitted a clear disclosure of the nature of Hairston's loan because giving a clear explanation of how the loan worked would have punctured the illusion of a low-payment, low interest rate loan.**

Defendants and Loan Consultant altered Hairston's loan application without her knowing consent or authorization as Loan Consultant completed Hairston's application without giving Hairston an opportunity to review the loan application. Further, Defendants and Loan Consultant advised her that she was eligible for a Low Doc Loan. Unbeknownst to her at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate her income and in doing so, Defendants and Loan Consultant caused her to be placed into a loan whose payments she could not afford given her true, un-inflated monthly income.

Defendants and Loan Consultant also explicitly represented to Hairston that she could afford her loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $6,517.23. Given Hairston's true monthly income of $4,500.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 144%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant further represented to Hairston that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Hairston's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Hairston reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Hairston should be shouldering was, Hairston reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments. Although Defendants and the Loan Consultant represented to Hairston that she was "qualified" for her loan and could afford her loan and its monthly payments, Defendants and the Loan Consultant misled Hairston into believing that her monthly payments would always only be $104.00. Furthermore, at no point did Defendants or Loan Consultant clarify Hairston's false belief and advise her that $104.00 would not be her permanent payment under the loan, or that every time she made a monthly payment in the amount of $104.00, which is less than interest only, she would be deferring interest on her loan, increasing the principal balance of her loan.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around March 2005, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Hairston's home, which was fraudulently inflated to a grossly and intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Hairston's home was worth $1,000,000.00 at the time she entered into her loan, and that such a valuation was a true and correct measure of her home's worth. The current fair market value of Hairston's home is approximately $281,312.00. Hairston alleges that the appraisal was artificially inflated, and that she has suffered damages in the amount of $718,688.00 ($1,000,000.00-$281,312.00) due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Due to the economic crash, caused by the Defendants fraudulent acts described through this complain, Hairston suffered from extreme financial hardship, and sought the assistance of the Defendants in repaying her loan. Hairston applied for loan modification with the Defendants. The Defendants delayed processing, repeatedly demanding that Hairston furnish duplicate documentation and information over the course of four months. Hairston was ultimately denied a loan modification because she did not have sufficient income. At the time Hairston applied for a loan modification her "fixed" income was the same as it was when she entered into the loan.

Hairston inquired about getting a loan modification HAMP. A representative an authorized agent of Defendants informed Hairston that she did not qualify for HAMP but refused to provide a reason why. Moreover, the Defendants failed to provide adequate information or communication regarding the loan modification programs to Hairston.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Hairston could afford the loan ; (4) she was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) she would be able to modify her loan in the future; and (7) Defendants would refinance her loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Hairston that: (1) Defendants and Loan Consultant knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not her; (4) that Defendants' and Loan Consultant's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines;(6) Defendants influenced the appraiser to over-value Hairston's home to require her to borrow more money with the knowledge that the true value of Hairston's home was insufficient to justify the amount of Hairston's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Hairston would lose substantial equity in her home.

Based on these misrepresentations and omissions, the material facts concerning Hairston's loan were concealed from her, and she decided to move forward with her loan. On March 22, 2007, Hairston signed the loan and Deed of Trust, before a notary. Had she known the truth however, Hairston would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Hairston has lost substantial equity in her home, has damaged or destroyed credit, and at the time Hairston entered into the loan her home was worth $1,000,000.00, now her home is worth approximately $281,312.00. Hairston did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around July 5, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 2***).

3. Plaintiffs William Mimiaga ("Mimiaga") and Christine Petersen ("Petersen")

discussed refinancing an existing mortgage on their property located at 936 Coronado Drive, Costa Mesa, CA 92626 and APN 141-323-21 with a Loan Consultant ("Loan Consultant") with Homecomings Financial, LLC, a correspondent of GMAC and the Defendants (the "Defendants"), and authorized by Defendants to lend on its behalf, in or around November 2006. In the course of their discussions ranging from November 2006 until January 2007, Defendants and Loan Consultant steered them into a fixed rate Interest-Only mortgage in the amount of $534,000.00 with an interest rate at 6.500% for a term of 30 years. Little did Mimiaga and Petersen know, however, payments made during the first ten years of their loan were Interest-Only. This loan was originated by GMAC and Defendants, on the note and deed of trust Homecomings Financial, LLC is identified as the lender, and GMAC is currently servicing the loan.

Defendants and Loan Consultant represented to Mimiaga and Petersen that their monthly payment would always be $2,892.50 Although the amount of Mimiaga and Petersen's initial monthly payment was $2,892.50, Defendants and Loan Consultant failed to clarify their partially true representations and advise Mimiaga and Petersen that: (1) their monthly payment would not pay down any of their principal balance during the Interest-Only period, or (2) their monthly payment would drastically increase at the end of the Interest-Only period, or (3) the amount of their initial, disclosed monthly payment would not remain "fixed" for the entire term of his loan.

Defendants and Loan Consultant altered Mimiaga and Petersen's loan application without their knowing consent or authorization as Loan Consultant completed Mimiaga and Petersen's application without giving Mimiaga and Petersen an opportunity to review the loan application. Further, Defendants and Loan Consultant advised them that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate their income; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose payments they could not afford given their true, un-inflated monthly income.

Defendants and Loan Consultant also explicitly represented to Mimiaga and Petersen that they could afford their loan and further represented that they could shoulder the additional

financial burden of repaying their loan in consideration of their other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $3,981.36. Defendants and Loan Consultant further represented to Mimiaga and Petersen that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mimiaga and Petersen's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mimiaga and Petersen reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mimiaga and Petersen should be shouldering was, Mimiaga and Petersen reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments. Although Defendants and Loan Consultant represented to Mimiaga and Petersen that they were "qualified" for their loan and could afford their loan and its monthly payments, Defendants and Loan Consultant misled Mimiaga and Petersen into believing that their monthly payments would always only be $2,892.50. Furthermore, at no point did Defendants or Loan Consultant clarify Mimiaga and Petersen's false belief and advise them that $2,892.50 would not be their permanent payment under the loan, or that every time they made a monthly payment in the amount of $2,892.50, they were not paying down any of their principal balance.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around January 2007, Bradbury Appraisal Service, Inc., an appraisal company under the direct control and supervision of Defendants, conducted an appraisal on Mimiaga and Petersen's home, which was fraudulently inflated to $715,000.00 - a grossly an intentionally overstated value. The current fair market value of Petersen's home is approximately $494,202.00. Mimiaga and Petersen allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $220,798.00 ($715,000.00-$494,202.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Mimiaga and Petersen that they would be able to refinance their loan at a later time. Mimiaga and Petersen relied on this

assurance in deciding to enter into the mortgage contract. However, Mimiaga and Petersen have not been able to refinance their loan because they did not generate enough income, had a low credit score and the value of their home was of under value.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mimiaga and Petersen could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify their loan; and (7) they would be able to refinance their loan.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Mimiaga and Petersen that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mimiaga and Petersen's home to require them to borrow more money with the knowledge that the true value of Mimiaga and Petersen's home was insufficient to justify the amount of Mimiaga and Petersen's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Petersen would lose substantial equity in their home.

Based on these misrepresentations and omissions, the material facts concerning Mimiaga and Petersen's loan were concealed from them, and they decided to move forward with their loan. On January 24, 2007, Mimiaga and Petersen signed the loan and Deed of Trust, before a

notary. Had they known the truth however, Mimiaga and Petersen would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mimiaga and Petersen have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mimiaga and Petersen entered into the loan their home was worth $715,000.00, now their home is worth approximately $494,202.00. Mimiaga and Petersen did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around January 12, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 3***).

4. Plaintiffs Robin Gaston and Patrick Gaston (collectively referred to as "Mr. and Mrs. Gaston") discussed refinancing an existing mortgage on their property located at 10726 Lynn Circle, Cypress, CA 90630, A.P.N.:134-553-39 with a Loan Consultant ("Loan Consultant"), a representative and authorized agent of Homecoming Financial Corporation and Defendants herein (the "Defendants") in or around August 2006. In the course of their discussions ranging from August 2006 until October 2006, Defendants and Loan Consultant steered them into a fixed rate mortgage in the amount of $552,000.00 with an interest rate at 4.125% for a term of 30 years. This loan was originated by GMAC, on the note and deed of trust Homecoming Financial Corporation is identified as the lender, and GMAC is servicing the loan.

Further, Defendants and Loan Consultant advised them that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate their income; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Loan Consultant altered Mr. and Mrs. Gaston's loan application without their knowing consent or authorization as Loan Consultant completed Mr. and Mrs. Gaston's application without giving Mr. and Mrs. Gaston an opportunity to review the loan application.

Defendants and Loan Consultant also explicitly represented to Mr. and Mrs. Gaston that

they could afford their loan and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts. Defendants and Loan Consultant also represented to them that they could afford a $2,675.27 monthly payment, despite their $7,494.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 36%). Defendants and Loan Consultant further represented to Mr. and Mrs. Gaston that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Gaston's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Gaston reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Gaston should be shouldering was, Mr. and Mrs. Gaston reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around October 3, 2006, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Gaston's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Mr. and Mrs. Gaston's home was worth $690,000.00 at the time they entered into their loan, and that such a valuation was a true and correct measure of their home's worth. The current fair market value of Mr. and Mrs. Gaston's home is approximately $321,300.00. Mr. and Mrs. Gaston allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $368,700.00 ($690,000.00-$321,300.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Gaston could afford the loan; (4) they were "qualified" for

their loan; and (5) "qualified" meant that they could afford their loan.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Gaston that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Gaston's home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Gaston's home was insufficient to justify the amount of Mr. and Mrs. Gaston's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Gaston would lose substantial equity in their home.

Based on these misrepresentations and omissions, the material facts concerning Mr. and Mrs. Gaston's loan were concealed from them, and they decided to move forward with their loan. On October 31, 2006, Mr. and Mrs. Gaston signed the loan and Deed of Trust, before a notary. Had they known the truth however, Mr. and Mrs. Gaston would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Gaston have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and Mrs. Gaston entered into the loan their home was worth $690,000.00, now their home is worth approximately $321,300.00. Mr. and Mrs. Gaston did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this

complaint, were brought to light on or around March 26, 2011.

5. Plaintiff Mary Serrano ("Serrano") discussed obtaining a mortgage to purchase her home located at 3423 East White Chapel Court Unit B, Orange, CA 92869 and A.P.N. 939-21-315 with a Loan Consultant ("Loan Consultant") with Nationwide Lending Corporation, a correspondent of GMAC and Defendants herein (the "Defendants"), and authorized by Defendants to lend on its behalf, in or around January 2006. In the course of their discussions ranging from January 2006 until March 2006, Defendants steered her into a negatively amortized PayOption ARM in the amount of $412,000.00 with an interest rate at 1.750% for a term of 40 years. Little did Serrano know, however, the interest rate was never "fixed" but applied to only her first monthly payment and could adjust every 12 months thereafter. The amount of Serrano's minimum monthly payment was "fixed" for 12 months and could adjust every 12 months thereafter. When the amount of the minimum monthly payment is insufficient to cover the amount of interest due, then the amount of that deficiency is added onto the unpaid principal balance of her loan. The recast point of this loan is 115% of the original loan amount. Loan Consultant and Defendants also steered Serrano into a piggy-back loan in the amount of $51,500.00 with the interest rate 11.57% for a term of 15 years. This loan was originated by GMAC and Defendants, the note and deed of trust identifies Nationwide Lending Corporation as the lender, and Aurora is currently servicing the loan.

Defendants represented to Serrano that her monthly payment would always be $1,194.00 Although the amount of Serrano's initial, minimum monthly payment was $1,194.00, Defendants failed to clarify their partially true representations and advise Serrano : (1) how the interest rate on her loan was calculated; (2) that the initial minimum monthly payment of $1,194.00 would not always be available; (3) that the initial minimum monthly payment would not be the permanent payment under the loan despite Defendants' affirmative representations to the contrary; (4) that by paying the initial minimum monthly payment she would be definitively deferring interest on her loan, increasing the principal balance of her loan every time she made the minimum monthly payment; (5) that by paying the minimum monthly payment the principal balance of her loan was certain to increase; or (6) her loan would be recast within a few years

and she would be forced to pay considerably higher payments.

The disclosures in Serrano's loan documents discussing negative amortization only frame negative amortization as a mere **possibility** rather than a **certainty** when making the minimum payment. However, the reality was that by making the minimum payment, negative amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative amortization. Serrano was not provided, before entering into the loans, with any other payment schedule or with any informed option to make payments different than those listed in the TILDS payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS Serrano would be deferring interest, or had Defendants disclosed the payment amounts sufficient to avoid negative amortization from occurring, Serrano would not have entered into the loan. **Defendants intentionally omitted a clear disclosure of the nature of Serrano's loan because giving a clear explanation of how the loan worked would have punctured the illusion of a low-payment, low interest rate loan.**

Defendants altered Serrano's loan application without her knowing consent or authorization as Defendants completed Serrano's application without giving Serrano an opportunity to review the loan application. Further, Defendants advised her that she was eligible for a Low Doc Loan. Unbeknownst to her at the time, Defendants used this low documentation requirement to fraudulently inflate her income and in doing so, Defendants caused her to be placed into a loan whose payments she could not afford given her true, *un-inflated* monthly income.

Defendants also explicitly represented to Serrano that she could afford her loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $3,013.00. Given Serrano's true monthly income of $3,112.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 96%- in excess of industry standard underwriting guidelines,

and in excess of Defendants' own underwriting guidelines. Defendants further represented to Serrano that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Serrano's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Serrano reasonably relied on Defendants' expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Serrano should be shouldering was, Serrano reasonably believed Defendants' representations that she could afford her loan and its payments. Although Defendants represented to Serrano that she was "qualified" for her loan and could afford her loan and its monthly payments, Defendants misled Serrano into believing that her monthly payments would always only be $1,194.00. Furthermore, at no point did Defendants clarify Serrano's false belief and advise her that $1,194.00 would not be her permanent payment under the loan, or that every time she made a monthly payment in the amount of $1,194.00, which is less than interest only, she would be deferring interest on her loan, increasing the principal balance of her loan.

In addition, Defendants represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around March 2006, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Serrano's home, which was fraudulently inflated to an intentionally overstated value. Defendants represented that, per appraisal, Serrano's home was worth $430,000.00 at the time she entered into her loan, and that such a valuation was a true and correct measure of her home's worth. The current fair market value of Serrano's home is approximately $301,100.00. Serrano alleges that the appraisal was artificially inflated, and that she has suffered damages in the amount of $128,900.00 ($430,000.00-$301,100.00) due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants also represented to Serrano that she would be able to refinance her loan at a later time. Serrano relied on this assurance in deciding to enter into the mortgage contract. However, Serrano has not been able to refinance her loan. Defendants also represented that it would modify Serrano's loan, and Serrano relied on this representation in deciding to enter into the loan. However, Serrano was unable to modify her loan.

Furthermore, Defendants represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Serrano could afford the loan; (4) she was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) Defendants would modify her loan in the future; and (7) Defendants would refinance her loan in the future.

Moreover, Defendants withheld or incompletely, inaccurately or otherwise improperly disclosed to Serrano that: (1) Defendants knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' "qualification" process was for Defendants' own protection and not hers; (4) that Defendants' representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines;(6) Defendants influenced the appraiser to over-value Serrano's home to require her to borrow more money with the knowledge that the true value of Serrano's home was insufficient to justify the amount of Serrano's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Serrano would lose substantial equity in her home.

Based on these misrepresentations and omissions, the material facts concerning Serrano's loan were concealed from her, and she decided to move forward with her loan. On March 22, 2006, Serrano signed the loan and Deed of Trust, before a notary. Had she known the truth however, Serrano would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Serrano has lost substantial equity in her home, has damaged or destroyed credit, and at the time Serrano entered into the loan her home was worth $430,000.00, now her home is worth approximately $301,100.00. Serrano did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at

Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around February 1, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 4***).

6. Plaintiff Sarah Sebagh ("Sebagh") discussed refinancing an existing mortgage on their property located at 1233 N Flores Street #302, West Hollywood CA 90069 and APN 5554-025-162 with a Loan Consultant ("Loan Consultant"), a representative and authorized agent of SBMC, a correspondent of GMAC and Defendants herein (the "Defendants"), and authorized by Defendants to lend on its behalf, in or around March 2006. In the course of their discussions ranging from March 2006 until May 2006, Defendants and Loan Consultant steered her into a negatively amortized PayOption ARM in the amount of $430,000.00 with an interest rate at 1.000% for a term of 30 years. Little did Sebagh know, however, the interest rate was never "fixed" but applied to only their first monthly payment and could adjust every month thereafter. The maximum interest rate is 9.950%. The amount of Sebagh's minimum monthly payment was "fixed" for 12 months and could adjust every 12 months thereafter. When the amount of the minimum monthly payment is insufficient to cover the amount of interest due, then the amount of that deficiency is added onto the unpaid principal balance of their loan. The recast point of this loan is 110% of the original loan amount. In addition, Defendants and Loan Consultant recommended the loan, representing that the loan was a good loan. The loan was originated by GMAC, on the note and deed of trust SBMC was identified as the lender, and GMAC was the servicer of the loan.

Defendants and Loan Consultant represented to Sebagh that her monthly payment would always be $1,383.05. Although the amount of Sebagh's initial minimum monthly payment was $1,383.05, Defendants and Loan Consultant failed to clarify their partially true representations and advise Sebagh: (1) how the interest rate on her loan was calculated; (2) that the initial minimum monthly payment of $1,383.05 would not always be available; (3) that the initial minimum monthly payment would not be the permanent payment under the loan despite Defendants' and Loan Consultant's affirmative representations to the contrary; (4) that by

paying the initial minimum monthly payment she would be definitively deferring interest on her loan, increasing the principal balance of her loan every time she made the minimum monthly payment; (5) that by paying the minimum monthly payment the principal balance of her loan was certain to increase; or (6) her loan would be recast within a few years and she would be forced to pay considerably higher payments.

The disclosures in Sebagh's loan documents discussing negative amortization only frame negative amortization as a mere **possibility** rather than a **certainty** when making the minimum payment. However, the reality was that by making the minimum payment, negative amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative amortization. Sebagh was not provided, before entering into the loans, with any other payment schedule or with any informed option to make payments different than those listed in the TILDS payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS Sebagh would be deferring interest, or had Defendants disclosed the payment amounts sufficient to avoid negative amortization from occurring, Sebagh would not have entered into the loan. **Defendants intentionally omitted a clear disclosure of the nature of Sebagh's loan because giving a clear explanation of how the loan worked would have punctured the illusion of a low-payment, low interest rate loan.**

Defendants and Loan Consultant also explicitly represented to Sebagh that she could afford her loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $3,161.018. Given Sebagh's true monthly income of $2,610.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 121%- grossly in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant further represented to Sebagh that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Sebagh's lack of familiarity

with how much debt a person can and should reasonably take on compared to her monthly income, and because Sebagh reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Sebagh should be shouldering was, Sebagh reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments.

Although Defendants and the Loan Consultant represented to Sebagh that she was "qualified" for her loan and could afford her loan and its monthly payments, Defendants and the Loan Consultant misled Sebagh into believing that her monthly payments would always only be $1,383.05. Furthermore, at no point did Defendants or Loan Consultant clarify Sebagh's false belief and advise her that $1,383.05 would not be her permanent payment under the loan, or that every time she made a monthly payment in the amount of $1,383.05, which is less than interest only, she would be deferring interest on her loan, increasing the principal balance of her loan.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around April 26, 2006, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Sebagh's home, which was fraudulently inflated to an intentionally overstated value. The current fair market value of Sebagh's home is approximately $330,650.00. Sebagh alleges that the appraisal was artificially inflated, and that she has suffered damages due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Sebagh that she would be able to refinance her loan at a later time. Sebagh relied on this assurance in deciding to enter into the mortgage contract. However, Sebagh has not been able to refinance her loan because her income was insufficient to justify the size of the loan. Defendants and Loan Consultant also represented that it would modify Sebagh's loan, and Sebagh relied on this representation in deciding to enter into the loan. However, Sebagh were unable to modify her loan. After many unsuccessful applications for a loan modification, Sebagh received a three-month trial-payment plan in September 2011, hoping that Defendants would offer her a permanent loan modification at the

end of the trial period. Per Defendants' request Sebagh made three timely trial payments or even made them in advance of the due date. However, Defendants rejected Sebagh's loan modification despite Sebagh's compliance with every term of the modification offer. First, Defendants sent Sebagh an approval letter for a loan modification, then only two days of the receipt of the approval letter Defendants mailed her a conflicting denial letter stating that Sebagh's loan was not approved for a permanent loan modification. Defendants refused to permanently modify Sebagh's loan.

In addition, the foreclosure against Sebagh was wrongful. The assignment deed of trust (February 22, 2011) noted MERS as the party assigning the beneficiary interest in the property in its individual capacity. However, under California law MERS is only a nominee acting on behalf of the true beneficiary, and cannot initiate foreclosure in its own name. MERS can only act when acting in its nominal capacity. Here, MERS assigned the interest in the Deed of Trust from to Deutsch Bank Nation Trust Company in its own name, rendering the ADOT void. Accordingly, Deutsch Bank National Trust Company was never properly assigned the beneficial interest as a foreclosing beneficiary of the Deed. Therefore, any subsequent recorded documents based on that assignment in order to move forward with the foreclosure sale would be void as well. Moreover, the foreclosure against Sebagh was wrongful because at the time the NOD was recorded (April 22, 2011), the foreclosing trustee (Executive Trustee Services) did not have the legal authority to initiate the foreclosure because the foreclosing trustee was never properly substituted as trustee. The original trustee under the Deed of Trust (recorded May 31, 2006) was T.D Services.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Sebagh could afford the loan; (4) she was "qualified" for her loan; (5) "qualified" meant that she could afford their loan; (6) Defendants would modify her loan in the future; and (7) she would be able to refinance her loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or

otherwise improperly disclosed to Sebagh that: (1) Defendants and Loan Consultant knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not hers; (4) that Defendants' and Loan Consultant's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Sebagh's home to require her to borrow more money with the knowledge that the true value of Sebagh's home was insufficient to justify the amount of Sebagh's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Sebagh would lose substantial equity in her home.

Based on these misrepresentations and omissions, the material facts concerning Sebagh's loan were concealed from her, and she decided to move forward with her loan. On May 10, 2006, Sebagh signed the loan and Deed of Trust, before a notary. Had she known the truth however, Sebagh would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Sebagh has lost substantial equity in her home, has damaged or destroyed credit, and at the time Sebagh entered into the loan her home was worth substantially more than the approximately $330,650.00 it is worth today. Mr. and Mrs. Sebagh did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around April 10, 2012. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 5***).

7. Plaintiffs Rick Albritton and Deborah Albritton ("Mr. and Mrs. Albritton") discussed refinancing an existing mortgage on their property located at 2030 West Windhaven

Drive, Rialto, CA 92377 and A.P.N: 0239-711-22 with a Loan Consultant ("Loan Consultant") a representative and authorized agent of GMAC and Defendants herein (the "Defendants") in or around August 2006. In the course of their discussions ranging from August 2006 until October 2006, Defendants and Loan Consultant steered them into an Adjustable Rate Mortgage in the amount of $310,000.00 with the initial interest rate of 6.250% for a term of 30 years. Loan Consultant recommended the loan, representing that this is the best loan for Mr. and Mrs. Albritton. This loan was originated by GMAC, on the note and deed of trust GMAC was identified as the lender, and GMAC was the servicer of the loan.

Defendants and Loan Consultant altered Mr. and Mrs. Albritton's loan application without their knowing consent or authorization as Loan Consultant completed Mr. and Mrs. Albritton's application without giving Mr. and Mrs. Albritton an opportunity to review the loan application. Further, Defendants and Loan Consultant advised them that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate their income ; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income.

Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Albritton that they could afford their loan; and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts. Defendants and Loan Consultant also represented to them that they could afford a $1,908.00 monthly payment, despite their $3,643.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 52%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines). Defendants and Loan Consultant further represented to Mr. and Mrs. Albritton that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Albritton's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Albritton reasonably relied on Defendants' and Loan Consultant's expertise that

any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Albritton should be shouldering was, Mr. and Mrs. Albritton reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around September 12, 2006, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Albritton's home, which was fraudulently inflated to $420,000.00 - an intentionally overstated value. The current fair market value of Mr. and Mrs. Albritton's home is approximately $146,566.00. Mr. and Mrs. Albritton allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $273,434.00 ($420,000.00-$146,566.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Mr. and Mrs. Albritton that they would be able to refinance their loan at a later time. Mr. and Mrs. Albritton relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Albritton have not been able to refinance their loan. Defendants and Loan Consultant also represented that it would modify Mr. and Mrs. Albritton's loan, and Mr. and Mrs. Albritton relied on this representation in deciding to enter into the loan. In addition, Mr. and Mrs. Albritton were advised by a representative of Defendants, to stop making payments in order to be eligible for a modification. Mr. and Mrs. Albritton relied on Defendants' and representative's advice and stopped making their monthly payments causing them to fall even further behind. However, Mr. and Mrs. Albritton were unable to modify their loan.

The foreclosure against Rick Albritton and Deborah Albritton (collectively referred to as "Mr. and Mrs. Albritton") was wrongful because the Substitution of Trustee (SOT) is ineffective. Under California law, MERS is only a nominee acting on behalf of the true beneficiary and cannot initiate foreclosure in its own name. MERS only has the power to act when acting in its nominal capacity. Here, MERS in its individual capacity purports to substitute Executive Trustee

Services, LLC. The original trustee on the deed of trust was Executive Trustee Services, Incorporation. However, MERS cannot do so in its individual capacity, rendering the SOT without effect. Accordingly ETS, LLC was never properly substituted as the foreclosing trustee and thus unauthorized to conduct the trustee's sale. Under California law, a trustee's sale conducted by an unauthorized trustee as here, is void as a matter of law. Therefore, any subsequent foreclosure sale based on that SOT is also void ad initio.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Albritton could afford the loan ; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) they would be able to modify their loan in the future; and (7) they would be able to refinance their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Albritton that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Albritton's home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Albritton's home was insufficient to justify the amount of Mr. and Mrs. Albritton's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Albritton would lose substantial equity in their home.

Based on these misrepresentations, the material facts concerning Mr. and Mrs. Albritton's loan were concealed from them, and they decided to move forward with their loan. On October 2, 2006, Mr. and Mrs. Albritton signed the loan and Deed of Trust, before a notary. Had they known the truth however, Mr. and Mrs. Albritton would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Albritton have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and Mrs. Albritton entered into the loan their home was worth $420,000.00, now their home is worth approximately $146,566.00. Mr. and Mrs. Albritton did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around March 16, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 6***).

8. Plaintiff Veronica Grey ("Grey") discussed obtaining a mortgage to purchase her home located at 217 4th Avenue #2, Venice, CA 90291 and A.P.N.: 4286-001-048 with a Loan Consultant ("Loan Consultant") with Green Point Mortgage Funding, Inc., a correspondent of GMAC and Defendants herein ("the Defendants"), and authorized by Defendants to lend on its behalf, in or around April 2006. In the course of their discussions ranging from April 2006 until June 2006, Defendants and Loan Consultant steered her into a negatively amortized PayOption ARM in the amount of $736,000.00 with an interest rate at 2.000% for a term of 40 years. Little did Grey know, however, the interest rate was never "fixed" but applied to only her first monthly payment and could adjust every 12 months thereafter. The maximum interest rate is 12.000%. The amount of Grey's minimum monthly payment was "fixed" for 12 months and could adjust every 12 months thereafter. When the amount of the minimum monthly payment is insufficient to cover the amount of interest due, then the amount of that deficiency is added onto the unpaid principal balance of her loan. The recast point of this loan is 125% of the original loan amount. The loan was originated by GMAC. On the note and Deed of Trust Green Point Mortgage Funding, Inc. is identified as the lender, and the loan is being serviced by GMAC.

Defendants and Loan Consultant represented to Grey that her monthly payment would always be $2,228.00 Although the amount of Grey's initial, minimum monthly payment was $2,228.00, Defendants and Loan Consultant failed to clarify their partially true representations and advise Grey: (1) how the interest rate on her loan was calculated; (2) that the initial minimum monthly payment of $2,228.00 would not always be available; (3) that the initial minimum monthly payment would not be the permanent payment under the loan despite Defendants' and Loan Consultant's affirmative representations to the contrary; (4) that by paying the initial minimum monthly payment she would be definitively deferring interest on her loan, increasing the principal balance of her loan every time she made the minimum monthly payment; (5) that by paying the minimum monthly payment the principal balance of her loan was certain to increase; or (6) her loan would be recast within a few years and she would be forced to pay considerably higher payments.

The disclosures in Grey's loan documents discussing negative amortization only frame negative amortization as a mere **possibility** rather than a **certainty** when making the minimum payment. However, the reality was that by making the minimum payment, negative amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative amortization. Grey was not provided, before entering into the loans, with any other payment schedule or with any informed option to make payments different than those listed in the TILDS payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS Grey would be deferring interest, or had Defendants disclosed the payment amounts sufficient to avoid negative amortization from occurring, Grey would not have entered into the loan. **Defendants intentionally omitted a clear disclosure of the nature of Grey's loan because giving a clear explanation of how the loan worked would have punctured the illusion of a low-payment, low interest rate loan.**

Defendants and Loan Consultant altered Grey's loan application without her knowing consent or authorization as Loan Consultant completed Grey's application without giving Grey

an opportunity to review the loan application. Further, Defendants and Loan Consultant advised her that she was eligible for a Low Doc Loan. Unbeknownst to her at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate her income, and in doing so, Defendants and Loan Consultant caused her to be placed into a loan whose payments she could not afford given her true, *un-inflated* monthly income.

Defendants and Loan Consultant also explicitly represented to Grey that she could afford her loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $5,460.54. Given Grey's true monthly income of $10,000.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 54%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant further represented to Grey that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Grey's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Grey reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Grey should be shouldering was, Grey reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments. Although Defendants and the Loan Consultant represented to Grey that she was "qualified" for her loan and could afford her loan and its monthly payments, Defendants and the Loan Consultant misled Grey into believing that her monthly payments would always only be $2,228.00. Furthermore, at no point did Defendants or Loan Consultant clarify Grey's false belief and advise her that $2,228.00 would not be her permanent payment under the loan, or that every time she made a monthly payment in the amount of $2,228.00, which is less than interest only, she would be deferring interest on her loan, increasing the principal balance of her loan.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around May 2006, an

appraisal company under the direct control and supervision of Defendants conducted an appraisal on Grey's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Grey's home was worth $800,000.00 at the time she entered into her loan, and that such a valuation was a true and correct measure of her home's worth. The current fair market value of Grey's home is approximately $467,074.00. Grey alleges that the appraisal was artificially inflated, and that she has suffered damages in the amount of $332,926.00 ($800,000.00-$467,074.00) due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Grey that she would be able to refinance her loan at a later time. Grey relied on this assurance in deciding to enter into the mortgage contract. However, Grey has not been able to refinance her loan. Defendants and Loan Consultant also represented that it would modify Grey's loan, and Grey relied on this representation in deciding to enter into the loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Grey could afford the loan ; (4) she was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) she would be able to modify her loan; and (7) she would be able to refinance her loan.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Grey that: (1) Defendants and Loan Consultant knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not hers; (4) that Defendants' and Loan Consultant's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5)

Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Grey's home to require her to borrow more money with the knowledge that the true value of Grey's home was insufficient to justify the amount of Grey's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Grey would lose substantial equity in her home.

Based on these misrepresentations and omissions, the material facts concerning Grey's loan were concealed from her, and she decided to move forward with her loan. On June 16, 2006, Grey signed the loan and Deed of Trust, before a notary. Had she known the truth however, Grey would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Grey has lost substantial equity in her home, has damaged or destroyed credit, and at the time Grey entered into the loan her home was worth $800,000.00, now her home is worth approximately $467,074.00. Grey did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around February 12, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 7***).

9. Plaintiffs Joselito Mella and Brenda Mella ("Mr. and Mrs. Mella") discussed refinancing an existing mortgage on their home located at 6 Caltrop Way, Ladera Ranch, CA 92694 and A.P.N.:741-362-22 with a loan consultant (the "Loan Consultant"), and representative and authorized agent of Defendants herein (the "Defendants") in or around November 2005. In the course of their discussions ranging from November 2005 until January 2005, Defendants and Loan Consultant steered them into a loan of which the Defendants and Loan Consultant concealed and inaccurately, incompletely or otherwise improperly disclosed the material terms and information concerning the loan. This loan was originated by GMAC, on the note and deed of trust Wescom Credit Union is identified as the lender.

Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Mella that they could afford their loan; and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts. Loan Consultant and Defendants further represented to Mr. and Mrs. Mella that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Mella's lack of familiarity with how much debt a person can and should reasonably take on compared to his/her monthly income, and because Mr. and Mrs. Mella reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Mella should be shouldering was, Mr. and Mrs. Mella reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. An appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Mella's home, which was fraudulently inflated to an intentionally overstated value. Mr. and Mrs. Mella allege that the appraisal was artificially inflated, and that they have suffered damages due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Loan Consultant and Defendants also represented to Mr. and Mrs. Mella that they would be able to refinance their loan at a later time. Mr. and Mrs. Mella relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Mella have not been able to refinance their loan. Loan Consultant and Defendants also represented that it would modify Mr. and Mrs. Mella's loan, and Mr. and Mrs. Mella relied on this representation in deciding to enter into the loan. In addition, Mr. and Mrs. Mella were advised by a representative and authorized agent of Defendants to stop making payments in order to be eligible for a modification. Mr. and Mrs. Mella relied on the Defendants' and the Defendants representative and authorized agents' advice and stopped making their monthly payments causing them to fall even further behind. However, Mr. and Mrs. Mella were unable to modify their loan.

Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Mella could afford the loan; (4) They were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) They would be able to modify their loan in the future; and (7) They would be able to refinance their loan in the future.

Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Mella that: (1) Loan Consultant and Defendants knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants' "qualification" process was for Defendants' own protection and not theirs; (4) That Loan Consultant's and Defendants' representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Mella's home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Mella's home was insufficient to justify the amount of Mr. and Mrs. Mella's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Mella would lose substantial equity in their home.

Based on these misrepresentations and omissions, the material facts concerning Mr. and Mrs. Mella's loan were concealed from them, and they decided to move forward with their loan. On January 26, 2006, Mr. and Mrs. Mella signed the loan and Deed of Trust, before a notary. Had they known the truth however, Mr. and Mrs. Mella would not have accepted the loan. As a result of the Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Mella have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr.

and Mrs. Mella entered into the loan their home was worth substantially more than its current fair market value. Mr. and Mrs. Mella did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around April 6, 2011.

10. Plaintiffs Michael Man and July Lim ("Man and Lim") discussed refinancing an existing mortgage on their property located at 15417 Roper Avenue, Norwalk, CA 90650 and A.P.N.:8082-028-020 with a Loan Consultant ("Loan Consultant"), a representative and authorized agent of SCME Mortgage Bankers, a correspondent of GMAC and Defendants herein (the "Defendants"), and authorized by Defendants to lend on its behalf, in or around November 2006. In the course of their discussions ranging from November 2006 until January 2007, Defendants and Loan Consultant steered them into a fixed rate mortgage in the amount of $500,000.00 with an interest rate at 6.75% for a term of 30 years. This loan was originated by GMAC, on the note and deed of trust SCME is identified as the lender, and GMAC is currently servicing the loan.

Defendants and Loan Consultant advised them that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate their income by $6,990.00, a factor of 117%; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Loan Consultant also fraudulently overstated Man and Lim's assets. Defendants and Loan Consultant altered Man and Lim's loan application without their knowing consent or authorization as Loan Consultant completed Man and Lim's application without giving Man and Lim an opportunity to review the loan application.

Defendants and Loan Consultant also explicitly represented to Man and Lim that they could afford their loan and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts. Defendants and Loan

Consultant also represented to them that they could afford a $3,242.99 monthly payment, despite their $6,000.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 54% - in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines). Defendants and Loan Consultant further represented to Man and Lim that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Man and Lim's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Man and Lim reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Man and Lim should be shouldering was, Man and Lim reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around December 12, 2007, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Man and Lim's home, which was fraudulently inflated to an intentionally overstated. Man and Lim's loan documentation indicates that their home was worth $650,000.00 at the time they entered into their loan. The current fair market value of Man and Lim's home is approximately $272,646.00. Man and Lim allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $377,354.00 ($650,000.00-$272,646.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Due to the economic crash caused by Defendants' fraudulent acts described throughout the complaint, Man and Lim suffered from financial hardship because their income substantially decreased. Defendants and Loan Consultant also represented to Man and Lim that they would be able to refinance their loan at a later time. Man and Lim relied on this assurance in deciding to enter into the mortgage contract. However, Man and Lim have not been able to refinance their loan because their home value has dropped by 50% since they entered into the loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Man and Lim could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; and (6) Defendants would refinance their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Man and Lim that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Man and Lim's home to require them to borrow more money with the knowledge that the true value of Man and Lim's home was insufficient to justify the amount of Man and Lim's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Man and Lim would lose substantial equity in their home.

Based on these misrepresentations and omissions, the material facts concerning Man and Lim's loan were concealed from them, and they decided to move forward with their loan. On January 2, 2007, Man and Lim signed the loan and Deed of Trust, before a notary. Had they known the truth however, Man and Lim would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Man and Lim have lost substantial equity in their home, have damaged or destroyed credit, and at the time Man and Lim entered into the loan their home was worth $650,000.00, now their home is worth approximately

$272,646.00. Man and Lim did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around April 8, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 8***).

11. Plaintiffs David Cruz and Yesenia Cruz ("Mr. and Mrs. Cruz") discussed obtaining a mortgage to purchase their home located at 48159 Sol De Lind, Coachella, CA 92236 and A.P.N.: 612-433-009 with a Loan Consultant ("Loan Consultant"), Equi-First Corporation, a correspondent of GMAC Mortgage, LLC, Defendants herein ("the Defendants), and authorized by Defendants to lend on its behalf, in or around April 2005. In the course of their discussions ranging from April 2005 until June 2005, Defendants and Loan Consultant advised them to enter into a fixed rate loan in the amount of $232,500.00 with the interest rate of 6.500% for a term of 30 years. This loan was originated by GMAC, on the note and deed of trust Equi-First Corporation is identified as the lender, and the loan is currently being serviced by GMAC.

Further, Defendants and Loan Consultant advised them that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate their income by $1,000.00, a factor of 27%; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Loan Consultant altered Mr. and Mrs. Cruz's loan application without their knowing consent or authorization as Loan Consultant completed Mr. and Mrs. Cruz's application without giving Mr. and Mrs. Cruz an opportunity to review the loan application.

Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Cruz that they could afford their loan; and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts. Defendants and Loan Consultant also represented to them that they could afford a $1,469.00 monthly payment, despite their $3,700.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-

income ratio, before any other debts are even considered, of over 39%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines). Defendants and Loan Consultant further represented to Mr. and Mrs. Cruz that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Cruz's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Cruz reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Cruz should be shouldering was, Mr. and Mrs. Cruz reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around May 27, 2005, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Cruz's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Mr. and Mrs. Cruz's home was worth $310,000.00 at the time they entered into their loan, and that such a valuation was a true and correct measure of their home's worth. The current fair market value of Mr. and Mrs. Cruz's home is approximately $118,579.00. Mr. and Mrs. Cruz allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $191,421.00 ($310,000.00-$118,579.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Mr. and Mrs. Cruz that they would be able to refinance their loan at a later time. Mr. and Mrs. Cruz relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Cruz have not been able to refinance their loan. Defendants and Loan Consultant also represented that it would modify Mr. and Mrs. Cruz's loan, and Mr. and Mrs. Cruz relied on this representation in deciding to enter into the loan. In addition, Mr. and Mrs. Cruz were advised by a representative of Defendants, to stop making payments in order to be eligible for a modification. Mr. and Mrs. Cruz relied on

Defendants' and representative's advice and stopped making their monthly payments causing them to fall even further behind. However, Mr. and Mrs. Cruz were unable to modify their loan.

The foreclosure against Cruz is wrongful. Under California law MERS is only a nominee acting on behalf of the true beneficiary, and cannot initiate foreclosure in its own name. MERS only has the power to act when acting in its nominal capacity. Here, MERS in its individual capacity purports to substitute Executive Trustee Services, LLC dba ETS Services, LLC – however MERS cannot do so in its individual capacity, rendering their substitution of trustee without effect. Accordingly, ETS was never properly substituted as trustee and thus unauthorized to conduct the trustee's sale. Under California law, a trustee's sale conducted by an unauthorized trustee as here, is void as a matter of law.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Cruz could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) they would be able to modify their loan; and (7) they would be able to refinance their loan.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Cruz that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Cruz's home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Cruz's home was insufficient to justify the

amount of Mr. and Mrs. Cruz's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Cruz would lose substantial equity in their home.

Based on these misrepresentations, the material facts concerning Mr. and Mrs. Cruz's loan were concealed from them, and they decided to move forward with their loan. On June 17, 2005, Mr. and Mrs. Cruz signed the loan and Deed of Trust, before a notary. Had they known the truth however, Mr. and Mrs. Cruz would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Cruz have lost substantial equity in their home, has damaged or destroyed credit, and at the time Mr. and Mrs. Cruz entered into the loan their home was worth $310,000.00, now their home is worth approximately $118,579.00. Mr. and Mrs. Cruz did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around May 11, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 9***).

12. Plaintiff Gregory Buck ("Buck") discussed obtaining a mortgage on his home located at 68 Toulon Avenue, Foothill Ranch, CA 92610 and A.P.N.: 601-215-04 with a loan consultant (the "Loan Consultant"), and representative and authorized agent of Defendants herein (the "Defendants") in or around June 2006. In the course of their discussions ranging from June 2006 until August 2006, Defendants and Loan Consultant steered him into a loan, of which the Defendants and Loan Consultant concealed and inaccurately, incompletely or otherwise improperly disclosed the material terms and information concerning the loan to him. This loan was originated by GMAC, on the note and deed of trust Provident Funding Associates is identified as the lender, and GMAC is currently servicing the loan.

Defendants and Loan Consultant explicitly represented to Buck that he could afford his loan; and further represented that he could shoulder the additional financial burden of repaying

his loan in consideration of his other existing debts. Loan Consultant and Defendants further represented to Buck that he could rely on the assessment that he was "qualified" to mean that he could afford the loan. Because of Buck's lack of familiarity with how much debt a person can and should reasonably take on compared to his/her monthly income, and because Buck reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was "qualified" for would take into account what the maximum debt a person such as Buck should be shouldering was, Buck reasonably believed Defendants' and Loan Consultant's representations that he could afford his loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. An appraisal company under the direct control and supervision of Defendants conducted an appraisal on Buck's home, which was fraudulently inflated to an intentionally overstated value. Buck alleges that the appraisal was artificially inflated, and that he has suffered damages due to a substantial loss of equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.

Loan Consultant and Defendants also represented to Buck that he would be able to refinance his loan at a later time. Buck relied on this assurance in deciding to enter into the mortgage contract. However, Buck has not been able to refinance his loan. Loan Consultant and Defendants also represented that it would modify Buck's loan, and Buck relied on this representation in deciding to enter into the loan. In addition, Buck was advised by a representative and authorized agent of Defendants to stop making payments in order to be eligible for a modification. Buck relied on Defendants' and the Defendants representative and authorized agent's advice and stopped making his monthly payments causing him to fall even further behind. However, Buck was unable to modify his loan.

Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Buck could afford the loan; (4) He was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; (6) He would be able to modify his loan in the

future; and (7) He would be able to refinance his loan in the future.

Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or otherwise improperly disclosed to Buck that: (1) Loan Consultant and Defendants knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell his loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants' "qualification" process was for Defendants' own protection and not his; (4) That Loan Consultant's and Defendants' representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Buck 's home to require him to borrow more money with the knowledge that the true value of Buck 's home was insufficient to justify the amount of Buck's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Buck would lose substantial equity in his home.

Based on these misrepresentations and omissions, the material facts concerning Buck's loan were concealed from him, and he decided to move forward with his loan. On August 23, 2006, Buck signed the loan and Deed of Trust, before a notary. Had he known the truth however, Buck would not have accepted the loan. As a result of the Defendants' fraudulent acts described throughout this complaint Buck has lost substantial equity in his home, has damaged or destroyed credit, and at the time Buck entered into the loan his home was worth substantially more than its current fair market value. Buck did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around May 19, 2011.

13. Plaintiff Cristina Palbicke ("Palbicke") discussed refinancing an existing

mortgage on her property located at 27949 Harwood Drive, Santa Clarita, CA, 91350 and APN 3244-065-009 with a loan consultant (the "Loan Consultant"), a representative and authorized agent of GMAC and Defendants herein (the "Defendants"), in or around February 2007. In the course of their discussions ranging from February 2007 until April 2007, Defendants and Loan Consultant advised her to enter into fixed rate loan in the amount of $346,000.00, with an interest rate of 5.125%, for a term of 15 years. This loan was originated by GMAC, on the note and deed of trust GMAC is identified as the lender, and GMAC was the servicer of the loan.

Defendants and Loan Consultant explicitly represented to Palbicke that she could afford her loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts. Defendants and Loan Consultant also represented to her that she could afford a $3,097.31 monthly payment. Defendants and Loan Consultant further represented to Palbicke that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Palbicke's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Palbicke reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Palbicke should be shouldering was, Palbicke reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around March 2007, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Palbicke's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Palbicke's home was worth $485,000.00 at the time she entered into their loan, and that such a valuation was a true and correct measure of their home's worth. The current fair market value of Palbicke's home is approximately $314,036.00. Palbicke allege that the appraisal was artificially inflated, and that she has suffered damages in the amount of $170,964.00 ($485,000.00-$314,036.00) due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other

acts described herein.

Defendants and Loan Consultant also represented to Palbicke that she would be able to refinance her loan at a later time. Palbicke relied on this assurance in deciding to enter into the mortgage contract. However, Palbicke has not been able to refinance her loan because she has been told that her home does not contain enough equity. Defendants and Loan Consultant also represented that it would modify Palbicke's loan, and Palbicke relied on this representation in deciding to enter into the loan. However, Palbicke were unable to modify her loan.

The foreclosure against Palbicke was wrongful because the ADOT (recorded February 28, 2011) notes MERS as the party assigning the beneficial interest in the property in its individual capacity to the foreclosing party (GMAC). However, under California law MERS is only a nominee acting on behalf of the true beneficiary, and cannot initiate foreclosure in its own name. MERS can only act when acting in its nominal capacity. Here, MERS assigned the interest in the Deed of Trust to GMAC in its own name, rendering its ADOT void. Accordingly, GMAC was never properly assigned the beneficiary interest as a foreclosing beneficiary of the Deed. Therefore, any subsequent recorded documents based on that assignment in order to move forward with the foreclosure sale would be ineffective as well. Therefore, since the assignment of deed of trust from MERS to the foreclosing party (GMAC) was void, it will render any subsequent transactions based on that assignment void ab initio.

In addition, the foreclosure against Palbicke was wrongful because at the time the Trustee's deed was recorded (August 11, 2011), the foreclosing trustee (Executive Trustee Services, LLC) did not have the legal authority to initiate the foreclosure because the foreclosing trustee was never properly substituted as trustee. The original trustee under the Deed of Trust (recorded April 4, 2007) was Executive Trustee Services, Incorporation.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Palbicke could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) they would be able to modify her

loan; and (7) they would be able to refinance her loan.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Palbicke that: (1) Defendants and Loan Consultant knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Palbicke home to require them to borrow more money with the knowledge that the true value of Palbicke's home was insufficient to justify the amount of Palbicke's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Palbicke would lose substantial equity in their home.

Based on these misrepresentations, the material facts concerning Palbicke's loan was concealed from her, and she decided to move forward with her loan. On April 4, 2007, Palbicke signed the loan and Deed of Trust, before a notary. Had she known the truth however, Palbicke would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint, Palbicke has lost substantial equity in her home, has damaged or destroyed credit, and at the time Palbicke entered into the loan her home was worth $485,000.00, now her home is worth approximately $314,036.00. Palbicke did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around April 7, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 10***).

14. Plaintiffs Khalil Subat and Manija Subat ("collectively referred to as "Mr. and Mrs. Subat") discussed refinancing an existing mortgage on their property located at 7330 Cerritos Avenue, Stanton, CA 90680 and A.P.N.:079-541-55 with a Loan Consultant ("Loan Consultant"), a representative and authorized agent of Greenpoint Mortgage Funding, a correspondent of GMAC and Defendants herein (the "Defendants") and authorized by Defendants to lend on its behalf, in or around April 2006. In the course of their discussions ranging from April 2006 until June 2006, Defendants and Loan Consultant steered them into an adjustable rate mortgage in the amount of $650,000.00 with an interest rate at 3.000% for a term of 30 years. Little did Mr. and Mrs. Subat know, however, their loan was a negatively amortized PayOption ARM. Mr. and Mrs. Subat was not advised that the interest rate was never "fixed" but applied to only their first monthly payment and could adjust every month thereafter. The maximum interest rate is 12%. The amount of Mr. and Mrs. Subat's minimum monthly payment was "fixed" for 12 months and could adjust every 12 months thereafter. When the amount of the minimum monthly payment is insufficient to cover the amount of interest due, then the amount of that deficiency is added onto the unpaid principal balance of their loan. The recast point of this loan is 110% of the original loan amount. In addition, Loan Consultant steered them into an ARM "piggy-back" loan in the amount of $100,000.00 for a term of 15 years. These loans were originated by GMAC, on the note and deed of trust Greenpoint Mortgage Funding is identified as the lender, and GMAC is currently servicing the loan.

Defendants and Loan Consultant represented to Mr. and Mrs. Subat that their monthly payment would always be $2,740.43. Although the amount of Mr. and Mrs. Subat's initial minimum monthly payment was $2,740.43. Defendants and Loan Consultant failed to clarify their partially true representations and advise Mr. and Mrs. Subat: (1) how the interest rate on their loan was calculated; (2) that the initial minimum monthly payment of $2,740.43 would not always be available; (3) that the initial minimum monthly payment would not be the permanent payment under the loan despite Defendants' and Loan Consultant's affirmative representations to the contrary; (4) that by paying the initial minimum monthly payment they would be definitively deferring interest on their loan, increasing the principal balance of their loan every

time they made the minimum monthly payment; (5) that by paying the minimum monthly payment the principal balance of their loan was certain to increase; or (6) their loan would be recast within a few years and they would be forced to pay considerably higher payments.

The disclosures in Mr. and Mrs. Subat's loan documents discussing negative amortization only frame negative amortization as a mere **possibility** rather than a **certainty** when making the minimum payment. However, the reality was that by making the minimum payment, negative amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative amortization. Mr. and Mrs. Subat were not provided, before entering into the loans, with any other payment schedule or with any informed option to make payments different than those listed in the TILDS payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS Mr. and Mrs. Subat would be deferring interest, or had Defendants disclosed the payment amounts sufficient to avoid negative amortization from occurring, Mr. and Mrs. Subat would not have entered into the loan. **Defendants intentionally omitted a clear disclosure of the nature of Mr. and Mrs. Subat's loan because giving a clear explanation of how the loan worked would have punctured the illusion of a low-payment, low interest rate loan.**

Further, Defendants and Loan Consultant advised them that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate their income by $6,620.00, a factor of 69%; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Loan Consultant altered Mr. and Mrs. Subat's loan application without their knowing consent or authorization as Loan Consultant completed Mr. and Mrs. Subat's application without giving Mr. and Mrs. Subat an opportunity to review the loan application.

Defendants and Loan Consultant also explicitly represented to Mr. and Mrs. Subat that they could afford their loan and further represented that they could shoulder the additional

financial burden of repaying their loan in consideration of their other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $5,627.94 for both the first loan and the piggy-back loan. Given Mr. and Mrs. Subat's true monthly income of $9,630.00 this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 58% - in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant further represented to Mr. and Mrs. Subat that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Subat's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Subat reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Subat should be shouldering was, Mr. and Mrs. Subat reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

Although Defendants and the Loan Consultant represented to Mr. and Mrs. Subat that they were "qualified" for their loan and could afford their loan and its monthly payments, Defendants and the Loan Consultant misled Mr. and Mrs. Subat into believing that their monthly payments would always only be $2,740.43. Furthermore, at no point did Defendants or Loan Consultant clarify Mr. and Mrs. Subat's false belief and advise them that $2,740.43 would not be their permanent payment under the loan, or that every time they made a monthly payment in the amount of $2,740.43, which is less than interest only, they would be deferring interest on their loan, increasing the principal balance of their loan.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On June 7, 2006, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Subat's home, which was fraudulently inflated to $1,000,000.00 - an intentionally overstated value. The current fair market value of Mr. and Mrs. Subat's home is approximately $620,000.00. Mr. and Mrs. Subat allege that the appraisal was artificially inflated, and that they

have suffered damages in the amount of $380,000.00 ($1,000,000.00-$620,000.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Due to the economic crash caused by Defendants' fraudulent acts described throughout the complaint, Mr. and Mrs. Subat suffered from financial hardship that they were struggling to make the mortgage payments. At the time of entering into the loan, Defendants and Loan Consultant represented to Mr. and Mrs. Subat that they would be able to refinance their loan at a later time. Mr. and Mrs. Subat relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Subat have not been able to refinance their loan. Mr. and Mrs. Subat also sought to modify their loan with Defendants to lower the mortgage payments. Although Mr. and Mrs. Subat's loan was modified, the modification is active only for a limited time. When the modification expires, Mr. and Mrs. Subat's monthly payment will climb to the point that the loan is unaffordable to Mr. and Mrs. Subat.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Subat could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; and (6) they would be able to refinance their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Subat that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending

standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Subat's home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Subat's home was insufficient to justify the amount of Mr. and Mrs. Subat's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Subat would lose substantial equity in their home.

Based on these misrepresentations and omissions, the material facts concerning Mr. and Mrs. Subat's loan were concealed from them, and they decided to move forward with their loan. On June 26, 2006, Mr. and Mrs. Subat signed the loan and Deed of Trust, before a notary. Had they known the truth however, Mr. and Mrs. Subat would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Subat have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and Mrs. Subat entered into the loan their home was worth $1,000,000.00, now their home is worth approximately $620,000.00. Mr. and Mrs. Subat did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around August 1, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 11***).

15. Plaintiff Genevie Cabang ("Cabang") discussed refinancing an existing mortgage on her property located at 37915 52nd Street East, Palmdale, CA 92252 and A.P.N.: with a loan consultant (the "Loan Consultant"), a representative and authorized agent of Homecomings Financial Services, LLC, a correspondent of GMAC Mortgage (herein "Defendants"), and authorized by Defendants to lend on its behalf, in or around August 2007. In the course of their discussions ranging from August 2007 until October 2007, Defendants and Loan Consultant advised her to enter into a fixed rate loan in the amount of $416,500.00, with an interest rate of 7.875%, for a term of 30 years. This loan was originated by GMAC, on the note and deed of trust

Homecomings Financial Services, LLC is identified as the lender, and this loan is currently being serviced by GMAC.

Further, Defendants and Loan Consultant advised her she was eligible for a Low Doc Loan. Unbeknownst to her at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate her income by $2,024.00, a factor of 35% ; and in doing so, Defendants and Loan Consultant caused her to be placed into a loan whose payments she could not afford given her true, *un-inflated* monthly income. Defendants and Loan Consultant altered Cabang's loan application without her knowing consent or authorization as Loan Consultant completed Cabang's application without giving Cabang an opportunity to review the loan application.

Defendants and Loan Consultant explicitly represented to Cabang that she could afford her loan; and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts. Defendants and Loan Consultant also represented to her that she could afford a $3,443.35 monthly payment, despite her $5,876.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 59%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines). Defendants and Loan Consultant further represented to Cabang that she could rely on the assessment that she was "qualified" to mean that he could afford the loan. Because of Cabang's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Cabang reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Cabang should be shouldering was, Cabang reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around September 2007, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Cabang's home, which was fraudulently inflated to a grossly and intentionally overstated

value. Defendants and Loan Consultant represented that, per appraisal, Cabang's home was worth $416,000.00 at the time she entered into their loan, and that such a valuation was a true and correct measure of her home's worth. The current fair market value of Cabang's home is approximately $147,000.00. Cabang alleges that the appraisal was artificially inflated and that she has suffered damages in the amount of $269,900.00 ($416,000.00-$147,000.00) due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Cabang that she would be able to refinance her loan at a later time. Cabang relied on this assurance in deciding to enter into the mortgage contract. However, Cabang has not been able to refinance her loan because she has been told that her home does not contain enough equity. Defendants and Loan Consultant also represented that it would modify Cabang's loan, and Cabang relied on this representation in deciding to enter into the loan. However, Cabang was unable to modify her loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Cabang could afford the loan ; (4) she was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) Defendants would modify her loan in the future; and (7) she would be able to refinance her loan in the future.

At no point was it revealed to Cabang that her mortgage payment included a Private Mortgage Insurance ("PMI"). After being told her new payment of $3,019.91 would be her payment after combining both of her previous loans through refinancing, Defendants and Loan Consultant failed to represent that in order to combine both loans, a PMI rate of $423.33 was added each month to her payment without her knowing. Cabang alleges that this increase caused her new, refinanced mortgage payment to be unaffordable.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Cabang that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford her loan and that there was a very high probability

that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not hers; (4) that Defendants' and Loan Consultant's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Cabang's home to require her to borrow more money with the knowledge that the true value of Cabang's home was insufficient to justify the amount of Cabang's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Cabang would lose substantial equity in her home.

Based on these misrepresentations, the material facts concerning Cabang's loan were concealed from her, and she decided to move forward with her loan. On October 11, 2007, Cabang signed the loan and Deed of Trust, before a notary. Had she known the truth however, Cabang would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Cabang has lost substantial equity in her home, has damaged or destroyed credit, and at the time Cabang entered into the loan her home was worth $416,000.00, now her home is worth approximately $147,000.00. Cabang did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around September 6, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 12***).

16. Plaintiff Julio Gonzalez ("Gonzalez") discussed obtaining a mortgage on his home located at 13552 Abana Street, Cerritos, CA 90703 and A.P.N.: 7006-027-004 with a loan consultant (the "Loan Consultant"), and representative and authorized agent of GMAC herein (the "Defendants") in or around April 2005. In the course of their discussions ranging from April

2005 until June 2005, Defendants and Loan Consultant steered him into a loan, of which the Defendants and Loan Consultant concealed and inaccurately, incompletely or otherwise improperly disclosed the material terms and information concerning the loan to him. This loan was originated by E-loan, Inc., on the note and deed of trust GMAC is identified as the lender, and GMAC is currently servicing the loan.

Defendants and Loan Consultant explicitly represented to Gonzalez that he could afford his loan; and further represented that he could shoulder the additional financial burden of repaying his loan in consideration of his other existing debts. Loan Consultant and Defendants further represented to Gonzalez that he could rely on the assessment that he was "qualified" to mean that he could afford the loan. Because of Gonzalez's lack of familiarity with how much debt a person can and should reasonably take on compared to his/her monthly income, and because Gonzalez reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was "qualified" for would take into account what the maximum debt a person such as Gonzalez should be shouldering was, Gonzalez reasonably believed Defendants' and Loan Consultant's representations that he could afford his loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. An appraisal company under the direct control and supervision of Defendants conducted an appraisal on Gonzalez's home, which was fraudulently inflated to an intentionally overstated value. Gonzalez alleges that the appraisal was artificially inflated, and that he has suffered damages due to a substantial loss of equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.

Loan Consultant and Defendants also represented to Gonzalez that he would be able to refinance his loan at a later time. Gonzalez relied on this assurance in deciding to enter into the mortgage contract. However, Gonzalez has not been able to refinance his loan. Loan Consultant and Defendants also represented that it would modify Gonzalez's loan, and Gonzalez relied on this representation in deciding to enter into the loan. In addition, Gonzalez was advised by a representative and authorized agent of Defendants to stop making payments in order to be eligible for a modification. Gonzalez relied on Defendants' and the Defendants representative

and authorized agent's advice and stopped making his monthly payments causing him to fall even further behind. However, Gonzalez was unable to modify his loan.

Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Gonzalez could afford the loan; (4) He was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; (6) He would be able to modify his loan in the future; and (7) He would be able to refinance his loan in the future.

Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or otherwise improperly disclosed to Gonzalez that: (1) Loan Consultant and Defendants knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell his loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants' "qualification" process was for Defendants' own protection and not his; (4) That Loan Consultant's and Defendants' representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Gonzalez 's home to require him to borrow more money with the knowledge that the true value of Gonzalez 's home was insufficient to justify the amount of Gonzalez 's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Gonzalez would lose substantial equity in his home.

Based on these misrepresentations and omissions, the material facts concerning Gonzalez's loan were concealed from him, and he decided to move forward with his loan. On June 22, 2005, Gonzalez signed the loan and Deed of Trust, before a notary. Had he known the truth however, Gonzalez would not have accepted the loan. As a result of the Defendants' fraudulent acts described throughout this complaint Gonzalez has lost substantial equity in his

home, has damaged or destroyed credit, and at the time Gonzalez entered into the loan his home was worth substantially more than its current fair market value. Gonzalez did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around October 10, 2011.

17. Plaintiff Lisa Simonyi ("Simonyi") discussed refinancing an existing mortgage on her property located at 14442 Rancho Del Prado Trail, San Diego, CA 92127 and APN 303-230-25-00 with a loan consultant (the "Loan Consultant") with Plaza Home Mortgage, Inc., a correspondent of GMAC and the Defendants (the "Defendants"), and authorized by Defendants to lend on its behalf, in or around November 2006. In the course of their discussions ranging from November 2006 until January 2007, Defendants and Loan Consultant steered her into a negatively amortized PayOption ARM in the amount of $1,500,000.00 with an interest rate at 3.750% for a term of 30 years. Little did Simonyi know, however, the disclosed interest rate was never "fixed" but applied to only the first five years of her loan and could adjust every six months thereafter. The maximum interest rate is 11.750%. The amount of Simonyi's minimum monthly payment was "fixed" for 12 months and could adjust every 12 months thereafter. When the amount of the minimum monthly payment is insufficient to cover the amount of interest due, then the amount of that deficiency is added onto the unpaid principal balance of her loan. The recast point of this loan is 115% of the original loan amount. This loan was originated by GMAC and Defendants, on the note and deed of trust Plaza Home Mortgage is identified as the lender, and GMAC is currently servicing this loan.

Defendants and Loan Consultant represented to Simonyi that her monthly payment would always be $4,687.50. Although the amount of Simonyi's initial, disclosed minimum monthly payment was $4,687.50, Defendants and Loan Consultant failed to clarify their partially true representations and advise Simonyi: (1) how the interest rate on her loan was calculated; (2) that the initial, disclosed minimum monthly payment of $4,687.50 would not always be available; (3) that the initial, disclosed minimum monthly payment would not be the permanent payment under

the loan despite Defendants' and Loan Consultant's affirmative representations to the contrary; (4) that by paying the initial, disclosed minimum monthly payment she would be definitively deferring interest on her loan, increasing the principal balance of her loan every time she made the minimum monthly payment; (5) that by paying the minimum monthly payment the principal balance of her loan was certain to increase; or (6) her loan would be recast within a few years and she would be forced to pay considerably higher payments.

The disclosures in Simonyi's loan documents discussing negative amortization only frame negative amortization as a mere **possibility** rather than a **certainty** when making the minimum payment. However, the reality was that by making the minimum payment, negative amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative amortization. Simonyi was not provided, before entering into the loans, with any other payment schedule or with any informed option to make payments different than those listed in the TILDS payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS Simonyi would be deferring interest, or had Defendants disclosed the payment amounts sufficient to avoid negative amortization from occurring, Simonyi would not have entered into the loan. **Defendants intentionally omitted a clear disclosure of the nature of Simonyi's loan because giving a clear explanation of how the loan worked would have punctured the illusion of a low-payment, low interest rate loan.**

Defendants and Loan Consultant also explicitly represented to Simonyi that she could afford her loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $12,500.00. Given Simonyi's true monthly income of $16,000.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 78%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant further represented to Simonyi that she could rely on the assessment that

she was "qualified" to mean that she could afford the loan. Because of Simonyi's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Simonyi reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Simonyi should be shouldering was, Simonyi reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments.

Although Defendants and the Loan Consultant represented to Simonyi that she was "qualified" for her loan and could afford her loan and its monthly payments, Defendants and the Loan Consultant misled Simonyi into believing that her monthly payments would always only be $4,687.50. Furthermore, at no point did Defendants or Loan Consultant clarify Simonyi's false belief and advise her that $4,687.50 would not be her permanent payment under the loan, or that every time she made a monthly payment in the amount of $4,687.50, which is less than interest only, she would be deferring interest on her loan, increasing the principal balance of her loan.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around December 2006, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Simonyi's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Simonyi's home was worth $2,000,000.00 at the time she entered into her loan, and that such a valuation was a true and correct measure of her home's worth. The current fair market value of Simonyi's home is approximately $1,242,642.00. Simonyi alleges that the appraisal was artificially inflated and that she has suffered damages in the amount of $757,358.00 ($2,000,000.00-$1,242,642.00) due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Simonyi that she would be able to refinance her loan at a later time. Simonyi relied on this assurance in deciding to enter into the mortgage contract Defendants and Loan Consultant also represented that it would modify

Simonyi's loan, and Simonyi relied on this representation in deciding to enter into the loan. However, Simonyi was unable to modify her loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber;(2) property appraisals done by Defendants were accurate and made in good faith; (3) Simonyi could afford the loan ; (4) she was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) she would be able to modify her loan and (7) she would be able to refinance her loan.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Simonyi that: (1) Defendants and Loan Consultant knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not hers; (4) that Defendants' and Loan Consultant's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Simonyi's home to require her to borrow more money with the knowledge that the true value of Simonyi's home was insufficient to justify the amount of Simonyi's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Simonyi would lose substantial equity in her home.

Based on these misrepresentations and omissions, the material facts concerning Simonyi's loan were concealed from her, and she decided to move forward with her loan. On January 5, 2007, Simonyi signed the loan and Deed of Trust, before a notary. Had she known the truth however, Simonyi would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint, Simonyi has lost substantial equity in her home, has

damaged or destroyed credit, and at the time Simonyi entered into the loan her home was worth $2,000,000.00, now her home is worth approximately $1,242,624.00. Simonyi did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around November 11, 2011.

18. Plaintiff Rick Ewald ("Ewald") discussed refinancing an existing mortgage on his property located at 108 Grove Street, Nevada City, CA 95959 and A.P.N.: 05-395-02-000 with a loan consultant (the "Loan Consultant"), a representative and authorized agent of Green Point Mortgage, a correspondent of GMAC and Defendants herein (the "Defendants"), and authorized by Defendants to lend on its behalf, in or around February 2006. In the course of their discussions ranging from January 2006 until March 2006, Defendants and Loan Consultant steered him into a negatively amortized PayOption ARM in the amount of $626,400.00 with an interest rate at 7.875% for a term of 30 years. Little did Ewald know, however, the disclosed interest rate was never "fixed" but applied to only his first monthly payment and could adjust every month thereafter. The maximum interest rate is 12.000%. The amount of Ewald's minimum monthly payment was "fixed" for 60 months and could adjust every 12 months thereafter. When the amount of the minimum monthly payment is insufficient to cover the amount of interest due, then the amount of that deficiency is added onto the unpaid principal balance of his loan. The recast point of this loan is 115% of the original loan amount. This loan was originated by GMAC, on the note and deed of trust Green Point Mortgage is identified as the lender, and the loan is being serviced by GMAC.

The disclosures in Ewald's loan documents discussing negative amortization only frame negative amortization as a mere **possibility** rather than a **certainty** when making the minimum payment. However, the reality was that by making the minimum payment, negative amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative

amortization. Ewald was not provided, before entering into the loans, with any other payment schedule or with any informed option to make payments different than those listed in the TILDS payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS Ewald would be deferring interest, or had Defendants disclosed the payment amounts sufficient to avoid negative amortization from occurring, Ewald would not have entered into the loan. **Defendants intentionally omitted a clear disclosure of the nature of Ewald's loan because giving a clear explanation of how the loan worked would have punctured the illusion of a low-payment, low interest rate loan.**

Further, Defendants and Loan Consultant advised him that he was eligible for a Low Doc Loan. Unbeknownst to him at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate his income by $9,854.00, a factor of 54%; and in doing so, Defendants and Loan Consultant caused him to be placed into a loan whose payments he could not afford given his true, *un-inflated* monthly income. Defendants and Loan Consultant altered Ewald's loan application without his knowing consent or authorization as Loan Consultant completed Ewald's application without giving Ewald an opportunity to review the loan application.

Defendants and Loan Consultant represented to Ewald that his monthly payment would always be $2,014.75. Although the amount of Ewald's initial, disclosed minimum monthly payment was $2,014.75, Defendants and Loan Consultant failed to clarify their partially true representations and advise Ewald: (1) how the interest rate on his loan was calculated; (2) that the initial, disclosed minimum monthly payment of $2,014.75 would not always be available; (3) that the initial, disclosed minimum monthly payment would not be the permanent payment under the loan despite Defendants' and Loan Consultant's affirmative representations to the contrary; (4) that by paying the initial, disclosed minimum monthly payment he would be definitively deferring interest on his loan, increasing the principal balance of his loan every time he made the minimum monthly payment; (5) that by paying the minimum monthly payment the principal balance of his loan was certain to increase; or (6) his loan would be recast within a few years and he would be forced to pay considerably higher payments.

Defendants and Loan Consultant also explicitly represented to Ewald that he could afford his loan and further represented that he could shoulder the additional financial burden of repaying his loan in consideration of his other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $4,541.83. Given Ewald's true monthly income of $5,416.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 84%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant further represented to Ewald that he could rely on the assessment that he was "qualified" to mean that he could afford the loan. Because of Ewald's lack of familiarity with how much debt a person can and should reasonably take on compared to his monthly income, and because Ewald reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was "qualified" for would take into account what the maximum debt a person such as Ewald should be shouldering was, Ewald reasonably believed Defendants' and Loan Consultant's representations that he could afford his loan and its payments. Although Defendants and the Loan Consultant represented to Ewald that he was "qualified" for his loan and could afford his loan and its monthly payments, Defendants and the Loan Consultant misled Ewald into believing that his monthly payments would always only be $2,014.75. Furthermore, at no point did Defendants or Loan Consultant clarify Ewald's false belief and advise him that $2,014.75 would not be his permanent payment under the loan, or that every time he made a monthly payment in the amount of $2,014.75, which is less than interest only, he would be deferring interest on his loan, increasing the principal balance of his loan.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around February 2006, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Ewald's home, which was fraudulently inflated to a grossly and intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Ewald's home was worth $755,000.00 at the time he entered into his loan, and that such a valuation was a true and correct measure of his home's worth. The current fair market value of Ewald's home is approximately

$303,798.00. Ewald alleges that the appraisal was artificially inflated, and that he has suffered damages in the amount of $451,202.00 ($755,000.00-$303,798.00) due to a substantial loss of equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Ewald could afford the loan ; (4) he was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; (6) Defendants would modify his loan in the future; and (7) Defendants would refinance his loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Ewald that: (1) Defendants and Loan Consultant knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell his loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not his; (4) that Defendants' and Loan Consultant's representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Ewald's home to require him to borrow more money with the knowledge that the true value of Ewald's home was insufficient to justify the amount of Ewald's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Ewald would lose substantial equity in his home.

Based on these misrepresentations and omissions, the material facts concerning Ewald's loan were concealed from him, and he decided to move forward with his loan. On March 31, 2006, Ewald signed the loan and Deed of Trust, before a notary. Had he known the truth however, Ewald would not have accepted the loan. As a result of Defendants' fraudulent acts

described throughout this complaint Ewald has lost substantial equity in his home, has damaged or destroyed credit, and at the time Ewald entered into the loan his home was worth $755,000.00, now his home is worth approximately $303,798.00. Ewald did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around September 22, 2011. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 13***).

19. Plaintiff Regina Faison ("Faison") discussed refinancing an existing mortgage on her property located at 22791 Rumble Drive, Lake Forest, CA 92630 and A.P.N.: 614-082-40 with a loan consultant (the "Loan Consultant"), a representative and authorized agent of Homecomings Financial, LLC, a correspondent of GMAC Mortgage and authorized by GMAC Mortgage and Defendants herein (the "Defendants") to lend on its behalf, in or around October 2005. In the course of their discussions ranging from October 2005 until December 2005, Defendants and Loan Consultant steered her into an Interest-Only ARM in the amount of $576,000 with an interest rate at 6.500% for a term of 30 years. Little did Faison know, however, payments made during the first ten years of her loan were Interest-Only. Faison was also not advised that her interest rate was "fixed" for ten years and could adjust every month. This loan was originated by GMAC and Defendants, on the note and deed of trust Homecomings Financial, LLC is identified as the lender, and GMAC is currently servicing the loan.

Defendants and Loan Consultant represented to Faison that her monthly payment would always be $3,120.00. Although the amount of Faison's initial, disclosed monthly payment was $3,120.00, Defendants and Loan Consultant failed to clarify their partially true representations and advise Faison that: (1) her monthly payment would not pay down any of their principal balance during the Interest-Only period, or (2) her monthly payment would drastically increase at the end of the Interest-Only period, or (3) the amount of her initial, disclosed monthly payment would not remain "fixed" for the entire term of his loan.

Defendants and Loan Consultant also explicitly represented to Faison that she could

afford her loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $4,294.51. Given Faison's true monthly income of $4,500, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 95%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant further represented to Faison that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Faison's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Faison reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Faison should be shouldering was, Faison reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments. Although Defendants and Loan Consultant represented to Faison that she was "qualified" for her loan and could afford her loan and its monthly payments, Defendants and Loan Consultant misled Faison into believing that her monthly payments would always only be $3,120.00. Furthermore, at no point did Defendants or Loan Consultant clarify Faison's false belief and advise her that $3,120.00 would not be her permanent payment under the loan, or that every time she made a monthly payment in the amount of $3,120.00, she was not paying down any of her principal balance.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around November 2005, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Faison's home, which was fraudulently inflated to a grossly and intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Faison's home was worth $800,000.00 at the time she entered into her loan, and that such a valuation was a true and correct measure of her home's worth. The current fair market value of Faison's home is approximately $510,000.00. Faison alleges that the appraisal was artificially inflated, and that

she has suffered damages in the amount of $290,000.00 ($800,000.00-$510,000.00) due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Faison that she would be able to refinance her loan at a later time. Faison relied on this assurance in deciding to enter into the mortgage contract. However, Faison has not been able to refinance her loan. Defendants and Loan Consultant also represented that it would modify Faison's loan, and did so, yet with egregious terms. The terms of Faison's permanent modification require her to pay interest only payments for the next ten years, maturing on February 10, 2016, then principal and interest payments until the end of her loan term, being January 1, 2036. Defendant's loan modification only allows 20 years, (February 10, 2016 until January 1, 2036) for Faison to pay off the full principal balance of her loan. Should she fail to do so, a balloon payment of the remaining amount will be due. Faison alleges that these loan terms are not beneficial, effectively worsening her loan conditions, yet to no success has been able to obtain a more reasonable offer from Defendants, despite numerous attempts.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Faison could afford the loan ; (4) she was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) she would be able to modify her loan and (7) she would be able to refinance her loan.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Faison that: (1) Defendants and Loan Consultant knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not hers; (4) that Defendants' and Loan Consultant's representations that she was "qualified" to pay her loan was not intended

to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Faison's home to require her to borrow more money with the knowledge that the true value of Faison's home was insufficient to justify the amount of Faison's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Faison would lose substantial equity in her home.

Based on these misrepresentations and omissions, the material facts concerning Faison's loan were concealed from her, and she decided to move forward with her loan. On December 23, 2005, Faison signed the loan and Deed of Trust, before a notary. Had she known the truth however, Faison would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Faison has lost substantial equity in her home, has damaged or destroyed credit, and at the time Faison entered into the loan her home was worth $800,000.00 now her home is worth approximately $510,000.00. Faison did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around February 3, 2012. (True and correct copy of the aforementioned documents are attached hereto as ***Exhibit 14***).

20. Plaintiff Alejandra Ibarra ("Ibarra") discussed obtaining a mortgage to purchase her home located at 2740 Lincoln Drive, San Bernardino, CA 92405 and A.P.N.: 0148-112-21-0000 with a loan consultant (the "Loan Consultant"), a representative and authorized agent of GMAC Mortgage and Defendants herein (the "Defendants"), in or around March 2008. In the course of their discussions ranging from March 2008 until May 2008, Defendants and Loan Consultant advised her to enter into a fixed rate loan in the amount of $156,750 with an interest rate of 6.25%, for a term of 30 years. The loan was originated by GMAC, on the note and deed of trust GMAC was identified as the lender, and the loan is being serviced by GMAC.

Defendants and Loan Consultant explicitly represented to Ibarra that she could afford her loan; and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts. Defendants and Loan Consultant also represented to her that she could afford a $1,446.10 monthly payment, despite her $2,480.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 58%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines). Defendants and Loan Consultant further represented to Ibarra that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Ibarra's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Ibarra reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Ibarra should be shouldering was, Ibarra reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments.

Defendants and Loan Consultant also represented to Ibarra that she would be able to refinance her loan at a later time. Ibarra relied on this assurance in deciding to enter into the mortgage contract. However, Ibarra was not been able to refinance her loan because her home did not contain enough equity. Defendants and Loan Consultant also represented that it would modify Ibarra's loan, and Ibarra relied on this representation in deciding to enter into the loan. However, Ibarra was unable to modify her loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Ibarra could afford the loan; (4) she was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) she would be able to modify her loan and (7) she would be able to refinance her loan.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Ibarra that: (1) Defendants and Loan Consultant knew that she

could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not hers; (4) that Defendants' and Loan Consultant's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Ibarra's home to require her to borrow more money with the knowledge that the true value of Ibarra's home was insufficient to justify the amount of Ibarra's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Ibarra would lose substantial equity in her home.

Based on these misrepresentations, the material facts concerning Ibarra's loan were concealed from her, and she decided to move forward with her loan. On May 13, 2008, Ibarra signed the loan and Deed of Trust, before a notary. Had she known the truth however, Ibarra would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Ibarra has lost substantial equity in her home and has damaged or destroyed credit. Ibarra did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around December 10, 2011.

21. Plaintiffs Julio and Maria Elena Del Cid ("Mr. and Mrs. Del Cid") discussed refinancing an existing mortgage on their property located at 5424 Cimarron Street, Sherman Oaks, CA 91423 with a loan consultant (the "Loan Consultant"), a representative and authorized agent of GMAC Mortgage and Defendants herein (the "Defendants"), in or around April 2007. In the course of their discussions ranging from April 2007 until June 2007, Defendants and Loan